



Press Release
RK INFRA ELECTRICALS PRIVATE LIMITED
September 19, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	35.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BB**' (read as **ACUITE Double B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 70 Cr. bank facilities of RK Infra Electricals Private Limited (RKIEPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects the extensive experience of the promoters in the same line of industry for more than three decades. The rating gets comfort from stable business risk profile, healthy order book, moderate financial risk profile and liquidity profile of the company. However, rating is constraint with intensive working capital operations.

About the Company

Incorporated in 2021, RK Infra Electricals Private Limited is based in Bangalore. It is engaged in undertaking electrical installation for commercial complexes, hospitals, hotels, resorts etc. Mr. Halugudde Nagappagowda Ramakrishna, currently manages the company.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at this rating, Acuite has considered standalone financials of RK Infra Electricals Private Limited.

Key Rating Drivers

Strengths

Experience Management

The company is managed by Mr. Ramakrishna having rich experience in same line of industry from more than three decades. They undertake the government contracts & specializes in Electrical installation work in the state of Karnataka. They have executed various work allotted by BESCOM, MESCOM, BMRCL (Bangalore Metro Rail) & KPWD. The company has an order book of Rs. 147.16 Cr. which provides its revenue feasibility over the medium term. Acuite believes with his experience, the company will benefit in medium term for getting the new orders.

Improving the revenue from operations & profitability

The company witnessed an improvement in its scale of operations marked by an operating income of Rs. 73.71 Cr. in FY2024 (Prov.) as against Rs. 52.78 Cr in FY2023. The EBITDA margin of

the company stood at 8.16% in FY2024 (Prov.) as against 5.82% in FY2023 and the PAT margin of the company stood at 3.58% in FY2024 (Prov.) against 2.71% in FY2023. Though the company's profitability is exposed to volatility in raw material, it has an in-built price escalation clause (for few projects) for major raw materials in most of its contracts. Acuite believes that the company is expected to have better top-line in near to medium term supported by better margins from two segment of revenue (electrical contracts and fabrication of iron & steel) as compared to previous years.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by net-worth of Rs. 20.08 Crore as on 31st March 2024 (Prov.) against Rs. 17.44 Crore as on 31st March 2023 on the account of accretion of profits to reserve. Further, the total debt of the company stood at Rs. 14.83 Crore as on 31st March 2024 (Prov.) against Rs. 11.86 Crore as on 31st March 2023. The capital structure of the company is comfortable marked by gearing ratio of the company which stood at 0.74 times as on 31st March 2024 (Prov.) against 0.68 times as on 31st March 2023. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company which stood at 2.84 times and 2.02 times respectively as on 31st March 2024 (Prov.) against 3.46 times and 2.92 times respectively as on 31st March 2023. Acuite believes that going forward the financial risk profile of the company will remain steady with no major debt funded capex plans.

Weaknesses

Intensive Working capital Operations

The working capital operations of the company is intensive marked by GCA days which stood constant at 236 days as on 31st March 2024 (Prov.) against 214 days as on 31st March 2023. The debtor stood high at 140 days. As per the management, around Rs.1.44 Cr. has been stuck from few of the customers from past year due to delays from customers which leads to increase in creditor days of 87 days for FY 24 (Prov.) from 49 days in FY 23. Inventory days stood at 16 days for FY 24(Prov.). Acuite believes the working capital operations of the company will continue to remain intensive due to tender based nature of business.

Rating Sensitivities

- Improvement in financial risk profile.
- Working capital operations.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The net cash accruals of company stood at Rs. 3.02 Cr. in FY 24 (prov.) against the CPLTD of Rs. 0.43 Cr. for the same period. The company has cash & bank position of Rs. 0.81 Cr. and current ratio stood at 1.62 times for FY 24 (prov.). The average fund-based bank limit utilization is at 53.15% for the 12 months' period ending July 2024. Acuite believe that the liquidity of the company will remain adequate backed by steady cash accruals, absence of debt funded capex plan, moderate current ratio and moderate reliance on bank borrowings over the medium term.

Outlook: Stable

Acuite believes that the outlook on the company will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue and maintaining operating margins at the current levels while improving working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	73.71	52.78
PAT	Rs. Cr.	2.64	1.43
PAT Margin	(%)	3.58	2.71
Total Debt/Tangible Net Worth	Times	0.74	0.68
PBDIT/Interest	Times	2.84	3.46

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.50	ACUITE A4+ Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.50	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kartik Arora Analyst-Rating Operations Tel: 022-49294065 kartik.arora@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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