



SMERA RATINGS LIMITED

# Reliance Elektrik Works (REW)

*Rating  
Rationale***November 07, 2013**

Facilities	Amount (Rs. Crore)	Rating
Bank Guarantee	8.00	SMERA A4/(Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A Four**) to the Rs.8.00 crore short-term bank facilities (non-fund based) of Reliance Elektrik Works (REW). The rating is constrained by the firm's small scale of operations in a highly competitive and fragmented industry, low profitability and strained cash flows from operations. However, the rating is supported by the firm's long track record of operations, experienced management, low leverage, strong customer profile and widespread geographic reach.

REW, established in 1989, is a Ghaziabad-based proprietorship firm engaged in undertaking various turnkey projects including setting up of substations and overhead transmission lines, construction and resurfacing of roads and construction and maintenance of sewerage systems. REW executes orders only for government bodies. The firm has undertaken contracts across nine states in India.

REW has a modest scale of operations with revenues of Rs.54.56 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm's tender-based business is fraught with intense competition from several small and mid-sized players. REW's OPBDIT margin is low at 0.80 per cent in FY2012-13 due to execution of low-margin contracts. Further, the firm registered negative cash flow from operations in FY2012-13. Mr. Sunil Kumar Jindal, Promoter of REW, has around three decades of experience in the firm's line of business.

REW's leverage is low at 0.12 times as on March 31, 2013.

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## Rating Rationale

### Rating sensitivity factors

- Ability to scale up operations while achieving higher profitability.
- Timely execution of projects.
- Efficient working capital management.

### About the firm

REW is a Ghaziabad-based proprietorship firm established in 1989 by Mr. Sunil Kumar Jindal. REW is a Class I-A contractor registered with the Public Works Department (PWD), Central Public Works Department (CPWD) and other state-level authorities. The firm is engaged in undertaking various turnkey projects including setting up of substations and overhead transmission lines, construction and resurfacing of roads and construction and maintenance of sewerage systems and sewage treatment plants. REW caters solely to government bodies.

For FY2012–13, REW reported net profit of Rs.0.58 crore on total income of Rs.54.56 crore as compared with net profit of Rs.0.52 crore on total income of Rs.39.68 crore for FY2011–12. Further, the firm registered revenues of Rs.35.00 crore (provisional) during April 2013 to September 2013.

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