



Press Release
Reliance Elektrik Works
December 16, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	25.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the bank facilities of Rs.25.00 Crore and '**ACUITE A3+**' (read as **ACUITE A three plus**) on the short term bank facilities of Rs.25.00 Crore of Reliance Elektrik Works (REW). The outlook is '**Stable**'.

Rationale for Recommendation

The assigned rating factors in the increasing scale of operations marked by an operating income of Rs.86.02 Cr. in FY2024 as against Rs.56.69 Cr. in FY2023. The assigned rating also positively factors in the experienced management in civil construction business, appointment of highly experienced professionals in the Board, leading to repeat orders. Additionally, the financial risk profile of the firm remained moderate marked by gearing (D/E: 0.24 times as on March 31, 2024), adequate liquidity position and healthy order book position with unexecuted orders in hand of Rs.600 Cr. Approximately as on 30th Sep 2024, which will be executed in near to medium term. However, the above mentioned strengths are partly off-set by working capital intensive nature of operations of the firm marked by high GCA days of 320 days in FY2024. Acuite also considers the reputed client base consisting of government thereby reducing the counter party risk. It also remains constrained by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

About the Company

Reliance Elektrik Works was incorporated in 1987 & is based in Ghaziabad is engaged in providing end to end solutions in electricity transmission, distribution & Civil Building Projects. Mr. Sunil Kumar Jindal, Mr. Pradeep Jindal & Mr. Parv Jindal are currently the partners of the firm.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Reliance Elektrik Works to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and Established track record of operations

The partners of the firm are having an experience of more than three decades in providing end to end solutions in electricity transmission, distribution & Civil Building Projects. The partners of the firm are Mr. Sunil Kumar Jindal, Mr. Pradeep Jindal & Mr. Parv Jindal. They do have good understanding of market dynamics and established relationship with customers and suppliers. Acuite believes the firm will maintain its established position in the same line of business in near to medium term. Going forward firm will continue to benefit from the promoter's experience.

Increasing scale of Operations

The firm has clocked a revenue of Rs.86.02 Crore in FY24 against Rs.56.69 Crore in FY23. There is a 51.74% growth in revenue as compared to previous year. The significant increase in sales has supported by the strong order book from key clients, including Power Grid Corporation, PVVNL, JUSNL etc. Further, the margins of the firm stood at 6.75% in FY24 against 8.09% in FY23 and the PAT Margins of the firm stood at 4.59% in FY24 against 5.55% in FY23. With an order book seven times the FY24's revenue, shows a strong revenue visibility over the medium term. Further, firm has booked revenue of Rs.103.71 Crore approximately in last seven months ended October 2024 against Rs.86.02 Crore in FY24. Further the firm has total order book worth Rs.602.75 Crore which is expected to be executed in near to medium term. Going ahead, the firm is expecting an increase in the revenue backed by the healthy order book.

Moderate Financial Risk Profile

The financial risk profile of the firm is moderate marked by net-worth stood at Rs.52.40 Crore as on 31st March 2024 against Rs.46.61 Crore as on 31st March 2023. Further, the firm has a total debt of Rs.12.79 Crore in FY24 against Rs.2.37 Crore in FY23. In addition, the gearing ratio of the firm is also comfortable which is below unity and stood at 0.24 times in FY24 against 0.05 times in FY23. The coverage indicators of the firm are also comfortable reflected by interest coverage ratio and debt service coverage ratio which stood at 2.96 times and 2.95 times in FY24 respectively against 3.46 times against 3.46 times in FY23 respectively. Also, the TOL/TNW ratio of the firm stood at 0.71 times in FY24 against 0.29 times in FY23. Acuite believes that financial risk profile of the firm is expected to remain in the same range in the absence of any long term debt in near to medium term.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the firm marked by intensive marked by GCA days which stood at 320 days in FY24 against 345 days in FY23. Besides, the project billing and delivery schedule for the material handling business is usually concentrated towards the end of every fiscal, Milestone-based billing along with extensive trials and testing carried out for technically critical products before the final acceptance. The GCA days are high on an account of other current assets which stood at Rs.62.40 Crore as on 31st March 2024 against Rs.45.64 Crore as on 31st March 2023. Further the inventory days and debtor days of 50 days and 17 days in FY24 against 32 days and 28 days in FY23 respectively. On the other hand, the creditor days of the firm stood at 110 days in FY24 against 93 days in FY23 due to high purchase in the year end and payments are been made during next financial years. Acuite believes that the working capital operations of the firm is expected to remain in the same range due to the nature of operations.

Withdrawal of Capital

As it is a partnership firm, there is also a risk of capital withdrawal which can impact financial risk profile of the firm. However, there has not been any major withdrawal in last three years.

Rating Sensitivities

- Movement in scale of operations and profitability margins.
- Working capital cycle
- Timely execution of its order book.

Liquidity Position

Adequate

The liquidity profile of the firm is adequate. The firm has generated net cash accruals of Rs.4.07 Crore in FY24 against no debt repayment obligation in the absence of any long term debt. Going forward, the firm is expected to generate sufficient net cash accruals as the firm is not bound to repay any long term debt in near to medium. The current ratio of the firm stood at 2.39 times in FY24 against 4.41 times in FY23.

The firm's average bank limit utilization of fund based and non-fund based stood at 59% and 69% respectively in last eleven months ending August 2024. The firm has shown moderate utilization in past eleven months ending August 2024.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	86.02	56.69
PAT	Rs. Cr.	3.95	3.15
PAT Margin	(%)	4.59	5.55
Total Debt/Tangible Net Worth	Times	0.24	0.05
PBDIT/Interest	Times	2.96	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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Depanshi Mittal Lead Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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