

## RP Infrapower Private Limited

May 29, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	4.50	<b>CARE BB-; Stable (Double B Minus; Outlook: Stable)</b>	<b>Assigned</b>
Long-term/Short-term Bank Facilities	15.14	<b>CARE BB-; Stable/CARE A4 (Double B Minus; Outlook: Stable/A Four)</b>	<b>Assigned</b>
<b>Total facilities</b>	<b>19.64 (Rupees Nineteen crore and Sixty Four lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of RP Infrapower Private Limited (RP Infra) are constrained by relatively modest scale of operations and moderate profit margins with fluctuations over last 4 years ended FY19 (Prov.) (refers to the period April 1 to March 31), working capital intensive nature of operations marked by high collection period, moderate order book position and presence in highly competitive and fragmented industry marked by tender-driven nature of operations.

The ratings, however, derive strengths from highly experienced promoters in undertaking various electrification works, moderately comfortable capital structure and moderate debt coverage indicators.

The ability of the company to increase the scale of operations and improve profit margins amidst competitive scenario and to improve the capital structure and the liquidity position by efficiently managing the operating cycle is the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Relatively modest scale of operations and moderate profit margins with fluctuations over last 4 years:** The scale of operations of RP Infra stood relatively modest with the total operating income ranging from Rs.15-50 crore over FY16-FY19 (prov.). Moreover, the same has been fluctuating over the same period owing to fluctuations in the tender issued by government organizations. Given this, the tangible net-worth base also stood small, thereby limiting the financial flexibility of the company to a greater extent.

Further, the PBILDT margin of the company stood moderate at 5-12.50% over FY16-FY19, given the electrification works nature of operations. However, the same has been fluctuating over the same period owing to changing material & labour mix coupled with competitive bidding undertaken by the company at various times to bag the orders.

**Working capital intensive nature of operations marked by high collection period:** The operations of RP Infra are working capital intensive in nature with a majority of funds of over 180-380 days blocked in debtors and a moderate portion of over 30-80 days blocked in inventory. Given the high collection period, the company has also been stretching its creditors for over 150-330 days. Given all of the above, the operating cycle stood moderately high at 50-125 days over FY16-FY19 (prov.) which also led to higher utilization of working capital limits.

**Moderate order book position:** The order book position of RP Infra stood moderate at Rs.34.75 crore as on March 31, 2019, which is to be executed latest by December 2019 thereby providing limited revenue visibility. Hence, ability of the company to increase the order book position remains critical.

**Presence in highly competitive and fragmented industry marked by tender-driven nature of operations:** RP Infra operates in a highly competitive industry wherein 4-5 players in mid-sized orders and 15-20 players in small-sized orders engaged in undertaking various electrification works. Further, the tender-driven nature of operations intensifies the already prevailing competition in the market. This is evident from the elongated collection period of the company. Moreover, the company is also exposed to significant geographical concentration risk with operations are limited for only two regions viz. Uttarakhand and Uttar Pradesh.

#### Key Rating Strengths

**Highly experienced promoters in undertaking various electrification works:** The overall operations of RP Infa are looked after by the promoters – Mr. Amrish Tyagi and Mr. Munesh Tyagi, who possess a total experience of over 23 years in the activities of undertaking various electrification works.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Moderately comfortable capital structure albeit moderate debt coverage indicators:** The capital structure of RP Infra stood moderately comfortable with an overall gearing ranging from 0.90-1.40 times over the past three balance sheet dates ended March 31, 2019, given the moderate reliance on external debt. Further, given the moderate profitability, the debt coverage indicators stood moderate with the total debt/GCA and interest coverage of 4.99 times and 2.88 times respectively in FY19 (prov.) (vis-à-vis 5.77 times and 4.06 times respectively in FY18).

#### Liquidity Analysis

The liquidity position of the company marked by low current ratio and moderate quick ratio at 1.15 times and 1.03 times respectively as on March 31, 2019 (prov.) (vis-à-vis 1.12 times and 0.99 times respectively as on March 31, 2018), whereas the free cash & bank balance stood at Rs.1.50 crore as on March 31, 2019 (prov.) (vis-à-vis Rs.2.85 crore as on March 31, 2018). The average cash credit limit utilization in the last 12 months ended January 2019 stood higher at ~94%, whereas the net cash flow from operating activities stood positive at Rs.0.22 crore in FY19 (prov.) (vis-à-vis Rs.2.91 crore in FY18).

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Short-term Instruments](#)

[CARE's Methodology for Service Sector Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

#### About the Company

Incorporated in 2012 as a private limited company by Mr. Amrish Tyagi and Mr. Munesh Tyagi, RP Infrapower Private Limited (RP Infra) is engaged in undertaking various electrification works at various sub-stations as well as in other rural & urban areas. The said electrification works comprise commissioning of fresh power sub-stations, upgradation of electrification at various sub-stations and other rural & urban areas, laying of underground (UG)/overhead (OH) cables, electric pole shifting, repairs & maintenance of electrification, feeder segregation, site survey, planning, design, engineering, testing & supply of all plant & equipment for construction of transmission lines, power sub-stations, metering, low-tension (LT) lines, etc. The said works are undertaken by the company primarily for Uttarakhand Power Corporation Limited (UPCL) and Uttar Pradesh Power Corporation Limited (UPPCL). The company operates through its registered and controlling office at Ghaziabad, Uttar Pradesh.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	41.06	48.13
PBILDT	5.04	3.05
PAT	0.97	1.13
Overall gearing (times)	1.10	0.92
Interest coverage (times)	4.06	2.88

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	4.50	CARE BB-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	15.14	CARE BB-; Stable / CARE A4

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	4.50	CARE BB-; Stable	-	-	-	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	15.14	CARE BB-; Stable / CARE A4	-	-	-	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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