



Rating Rationale

RPL Projects Ltd.

8 Feb 2019

Brickwork Ratings upgrades the long term rating to BWR BB (Outlook:Stable) and reaffirms the Short Term Rating at BWR A4 for the Bank Loan Facilities of Rs.45.46 Crs of RPL Projects Ltd. ('RPLPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Mar 2018)	Present (Jan 2019)
Fund based	29.10	31.46	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Upgraded
Non-Fund Based	10.00	14.00	Short Term	BWR A4 (pronounced as BWR A Four)	BWR A4 (pronounced as BWR A Four) Reaffirmed
Total	39.10	45.46	INR Forty Five Crores and Forty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Company upto FY18, provisional results for H1FY19, projections upto FY20, publicly available information and information/clarifications provided by the management.

The rating upgrade is on account of improvement in scale of operation and gearing levels of the Company in H1FY19. The rating continues to draw strength from the promoters' experience, reputed client base and moderate order book position of the Company. However, the rating remains constrained by average credit risk profile marked by modest scale of operation, moderate gearing levels, moderate debt coverage indicators and stretched liquidity position, working capital intensive nature of operations, presence in a cyclical, highly competitive and fragmented industry and exposure to changes in government regulations and policies.

Going forward the ability of the Company, to increase its scale of operation, improve its overall credit risk profile and efficient management of its working capital would be the key rating sensitivities.

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Key Rating drivers

Credit strengths:

- **Experienced promoters**

The main promoters of RPLPL, i.e. Mr. S. N. Prasad Keshri, Mr. Naveen Rungta and Mr. Praveen Rungta have vast experience of 43 years, 24 years and 21 years respectively in mining industry.

- **Reputed client base and moderate order book position**

As of January 2019, RPLPL has moderate order book position of Rs.425 Crs which is to be executed over a period of next 2 years. The clientele of the Company includes reputed companies like Grasim Industries Ltd., Northern Coalfields Ltd. etc.

Credit Weaknesses

- **Average credit risk profile marked by modest scale of operation, moderate gearing level, moderate debt coverage indicators and stretched liquidity position**

The scale of operation of RPLPL has remained modest as it reported TOI (Total Operating Income) of Rs.126.17 Crs in FY18 as against TOI of Rs.115.88 Crs in FY17. However, the Company has achieved revenue improvement during H1FY19 (provisional), as it recorded revenue of Rs.77 Crs. Due to increased borrowings for machinery purchases from NBFCs, the total gearing of the Company has increased to 2.25x as on March 31, 2018 as against 2.07x as on March 31, 2017. However, due to accretion of profits to the networth, as on September 30, 2018, the total gearing has improved to 1.82x (prov.). Operating profit margin of the Company though decreased but remained moderate at 16.71% for FY18 as against 18.11% for FY17. Consequently, ISCR for FY18 has also decreased marginally to 2.81x as against 2.99x for FY17. Due to relatively high term loan repayments, DSCR of the Company for FY19 & FY20 is expected to be marginal at 1.03x and 1.10x respectively. The liquidity position of the Company is stretched as its Current ratio stood marginally low at 1.16x as on March 31, 2018. Further, the operations of the Company are working capital intensive as its receivable days remained high at 114 days as on March 31, 2018.

- **Presence in a cyclical, highly competitive and fragmented industry**

Mining industry is cyclical in nature as the demand for coal and other metals depend on the economic activity in the country. In addition to this, the industry consists of large number of small and unorganised as well as large players which makes the mining business highly competitive.

- **Exposure to changes in government regulations and policies**

The mining industry is exposed to the risk of any adverse changes in government regulations and policies.



Liquidity Profile:

The liquidity position of the Company is slightly stretched as its current ratio as on March 31, 2018 stood marginally low at 1.16x. As on September 30, 2018, the Company had cash balance of Rs.1.66 Crs.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Rating Outlook: Stable

BWR believes RPLPL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

RPL Projects Ltd. was incorporated on 25th March 2009 with its registered office at Kolkata by Mr. S. N. Keshri, Mr. Naveen Rungta and Mr. Praveen Rungta. The Company is engaged in removal of overburden from coal mines, logistic of fine coal and trading in the regions of Northern and Central India. RPL execute contracts for reputed companies like Grasim Industries Ltd., Northern Coalfields Ltd. etc.

Financial Performance

In FY18, the Company reported TOI of Rs.126.17 Crs and PAT of Rs.4.14 Crs as against TOI of Rs.115.88 Crs and PAT of Rs.3.82 Crs in FY17. In H1FY19, RPLPL has recorded revenue of Rs.77.00 Crs.



Rating History for the last three years:

Sl. No.	Facility	Current Rating (January 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Mar 2018	2016	2015
1	Fund based Term Loan	Long Term	3.71	BWR BB (pronounced as BWR Double B) (Outlook:Stable) Upgraded	BWR BB- (pronounced as BWR Double B minus) (Outlook:Stable)	Not Rated	Not Rated
	Cash Credit		24.50				
	SLC		3.25				
2	Non-Fund Based BG	Short Term	14.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)		
			45.46	INR Forty Five Crores and Forty Six Lakhs Only			

Status of Non cooperation with other CRA : Nil

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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**Annexure I
Details of Rated Bank Facilities**

Bank	Name of Facility		Rated Amount (Rs. Crs)
State Bank of India	Term Loan	Fund Based- Long Term	1.68
	Cash Credit		24.50
	SLC	Fund Based-Short Term	3.25
	BG	Non-Fund Based -Short Term	14.00
Syndicate Bank	Term Loan	Fund Based- Long Term	2.03
Total			45.46

**Annexure II
Key Financial Indicators**

	31.3.2018 Audited	31.3.2017 Audited
Total Operating Income (Rs. Cr)	126.17	115.88
EBITDA (Rs. Cr)	21.08	20.99
PAT (Rs. Cr)	4.14	3.82
Tangible Networth (Rs. Cr)	33.84	29.70
Total Debt:TNW (Times)	2.25	2.07
Current Ratio (Times)	1.16	1.19

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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