



## Press Release

**Rahul Agencies**  
**February 15, 2021**

### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Cash Credit	2.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Proposed Long Term Fund Bank Facilities	2.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Non Fund Based Facilities – Bank Guarantee	7.00	IVR A4+ (IVR Single A Four Plus)	Assigned
Proposed Short Term Non Fund Based Facilities	8.00	IVR A4+ (IVR Single A Four Plus)	Assigned
<b>Total</b>	<b>19.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of Rahul Agencies derives strength from experienced & qualified management team, proven project execution capability, reputed clientele and revenue visibility backed by moderate order book position. The rating however is constrained by small scale of operation, modest capital structure and debt protection metrics, susceptibility of operating margin to volatile input prices and highly fragmented & competitive nature of the sector with significant price war.

### Key Rating Sensitivities:

#### Upward Factors

- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

#### Downward Factors

- Any decline in the scale of operation and profitability leading to deterioration of debt protection metrics.

### Key Rating Drivers with detailed description

### Key Rating Strengths:



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### **Experienced & qualified management team:**

The Proprietor Mr. Deelip Chattumal Jhamnani is having vast experience of around two decades in the field of Electrical & allied activities enabling him to undertake the business of electrical contractor for government departments. The proprietor is supported by a team of experienced and qualified professionals

### **Proven project execution capability:**

Over the past years, the entity has successfully completed many projects majorly in the state of Maharashtra and ensured timely completion of its projects. The repeat orders received from its clientele validate its capabilities.

### **Reputed clientele:**

The Firm bids for various government contracts and has successfully executed the contracts of Maharashtra State Electricity Transmission Co Ltd, Mumbai Metropolitan Region Development Authority, Delhi metro Rail Corporation and various Municipal Corporations and Nagar Parishad namely Thane Municipal Corporation, Ulhasnagar Municipal Corporation, Pimpri Chinchwad Municipal Corporation, Badlapur Nagar Parishad, Ambarnath Nagar Parishad to name a few.

### **Revenue visibility backed by moderate order book position**

The Firm has an unexecuted order book of around Rs. 106.00 crore as on December end 2020 with orders across five contracts which is about 2.4 times of its FY20 revenue. Majority of the orders are expected to be completed by FY22, indicating a satisfactory near to medium term revenue visibility.

### **Key Rating Weaknesses:**

#### **Small scale of operation, albeit improving:**

The scale of operation of the Firm remains small at Rs. 44.63 crore in FY20 (FY19: Rs. 31.01 crore). However, revenue continue to grow with a CAGR of around 44.63% in the last three years ending FY20. Based on the execution schedule of unexecuted order book revenue growth trend is expected to continue.

#### **Modest capital structure and debt protection metrics:**



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The financial risk profile of the firm is modest marked by modest net worth, debt protection metrics and debt coverage indicators. The net worth of firm stood at Rs.7.31 Cr (includes quasi equity of Rs.1.56 Cr) as on 31 March, 2020 as against Rs.4.97 Cr (includes Rs.1.61 Cr of quasi equity) as on 31 March, 2019. The long term debt-equity stood at 0.29 times as on 31 March, 2020 as against 0.36 times as on 31 March, 2019. The total debt outstanding as on 31 March 2020 was Rs.3.37 Cr compared to Rs.3.18 Cr previous year. The overall gearing (debt-equity) stood at 0.86 times as on 31 March, 2020 as against 1.43 times as on 31 March, 2019. The Interest Coverage Ratio improved to 4.11 times for FY2020 as against 3.47 times for FY2019. Total Debt / GCA ratio was at 0.97 times in FY2020 and Long term Debt to EBITDA stood at 1.07 times in FY2020 as against 1.93 times in FY2019.

### **Susceptibility of operating margin to volatile input prices:**

As the raw material prices & labour cost are volatile in nature, the profitability of the Firm is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause & low gestation period protect the margin to an extent.

### **Highly fragmented and competitive nature of the sector with significant price war:**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of concern as the same can dent the margins

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies  
Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity – Adequate**

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Also the firm do not have any long-term repayment obligations and major capex plans. The average cash credit utilisation was around 55.89% during the last twelve months ended 31st December 2020. The current ratio stood at 1.16 times as on 31 March, 2020.



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### About the Company:

M/s Rahul Agencies run as a proprietorship concern formed around 20 years and is in the business undertaking Electrical Contractors for various state development authorities and Public Welfare Department. The nature of contract varies in every case it may be for the installation of overhead wire and conductors, overhead poles, Street Lights, Energy Saving Systems and Panels etc. The contracts are served on the concepts of BOT, BOOT etc.

### Financials: Standalone

(Rs. Crore)

For the year ended/ As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	31.01	44.63
EBITDA	2.87	4.59
PAT	1.83	3.24
Total Debt	3.18	3.37
Tangible Net-worth	4.97	7.31
<b>Ratios</b>		
EBITDA Margin (%)	9.27	10.28
PAT Margin (%)	5.90	7.25
Overall Gearing Ratio (x)	0.64	0.46

Status of non-cooperation with previous CRA: Nil.

Any other information: NA

### Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	2.00	IVR BB+/ Stable	--	--	--
2.	Proposed Long Term Fund Bank Facilities	Long Term	2.00	IVR BB+/ Stable	--	--	--
3.	Short Term Non Fund Based	Short Term	7.00	IVR A4+	--	--	--



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	Facilities – Bank Guarantee						
4.	Proposed Short Term Non Fund Based Facilities	Short Term	8.00	IVR A4+	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	2.00	IVR BB+/Stable
Proposed Long Term Fund Bank Facilities	--	--	--	2.00	IVR BB+/Stable
Short Term Non Fund Based Facilities – Bank Guarantee	--	--	--	7.00	IVR A4+
Proposed Short Term Non Fund Based Facilities	--	--	--	8.00	IVR A4+