June 10, 2022

Ravin Infraproject Pvt Ltd: [ICRA]BBB- (Stable)/[ICRA]A3 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term Loan	85.0	[ICRA]BBB- (Stable); assigned
Fund-based – Cash Credit	85.0	[ICRA]BBB- (Stable); assigned
Non-Fund based – Bank Guarantee & Letter of Credit	130.0	[ICRA]A3; assigned
Total	**300.0**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned rating favourably factors in the extensive experience of the management and promoters of Ravin Infraproject Private Limited (RIPL) in the cable industry, leading to strong relationship with its customers and repeated orders. The rating considers the comfortable order book of Rs. 254.8 crore as of May 2022 (~1.3 times of FY2022 (provisional unaudited) revenue) that provides near-term revenue visibility. Till FY2022, RIPL primarily executed electrical engineering, procurement and construction (EPC) contracts, which included supply, installation, commissioning of underground cables, cable joints, etc. For this, it procured low and medium voltage cables from its Group company - Ravin Cables Ltd, or other suppliers and imported high voltage cable. However, with the ongoing acquisition of the Cable Corporation of India Ltd.'s (CCIL) Nasik unit, the company will foray into high voltage cable manufacturing, which will support scaling up and its profitability in future, apart from adding to its services and product portfolio.

The rating is, however, constrained by RIPL's debt-funded capex for acquiring CCIL's cable unit, which will result in moderation in capital structure and debt coverage indicators, with TD/OPBIDTA likely to remain above 4 times in the near term. The total acquisition is around Rs. 187 crore and will be funded through a mix of debt, fund infusion by promoters and internal accruals. The acquisition cost included Rs 38 crore bank guarantees, for which counter guarantees was supposed to be given by RIPL. Nevertheless, out of Rs 38 crore BG envisaged earlier, the outstanding guarantee has reduced below Rs 25 crore and it is expected to reduce below Rs 15 crore by Mar-2023. A major portion of acquisition cost is planned to be funded by Rs 85 crore term loan which will result in moderation in leverage indicators. Nevertheless, the proposed term loan is expected to have a two years moratorium period and hence the coverage indicators are expected to remain satisfactory in the near to medium term. RIPL is also looking at incremental working capital limits of Rs. 70 crore and non-fund based limits of Rs. 89 crore to support the scale up. As on May 2022, the promoters have also brought in around Rs 18 crore fresh equity and additional Rs 6.5 crore long-term interest-free funds in the company, which is primarily deployed towards acquisition funding and scaling up of CCI operations. While this acquisition remains positive in terms of scaling up into high voltage cables, the proposed debt (for which full financial closure is yet to be achieved) will result in modest coverage indicators in the medium term until scale up, though the two years of moratorium on the term loan and flexibility to repay the erstwhile promoter's loans of ~Rs. 16 crore provide some comfort. The operating profitability in the cable business is susceptible to input cost pressure, however, the in-built price escalation clause in most of RIPL's projects mitigates this risk to an extent. The cable business remains exposed to stiff competition from other organised players in the domestic market, which limits pricing flexibility. The rating also factors RIPL's working capital-intensive nature of operation, as evident from its high NWC/OI of 41% in FY2021 and the same expected to remain high in the range of 33-38%, going forward, owing to high receivable days and inventory holding period. Thus, its ability to timely enhance its working capital limit for scaling up its operation, remain crucial.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that the company will continue to benefit from its established market position in the cable business.

Key rating drivers and their description

Credit strengths

Long operational track record, strong business profile of the Group and extensive experience of promoters – RIPL is a part of the Ravin Group, which was established in 1950 by the Mumbai-based Karia family. The Group has two main manufacturing entities namely Ravin Cables Limited and Power Plus Cable Co. LLC (based in UAE) with three cable manufacturing plants in Ankleshwar, Pune and UAE. The Group will be adding another plant under RIPL with the acquisition of CCIL's cable unit in Nashik. The promoters have more than three decades of experience in the cable industry in executing EPC contracts and electrical equipment installation. The long operational track record of the Group and its promoters in the cable industry, along with strong business linkages, helps RIPL to secure repeat orders.

Comfortable order book and addition of CCIL's cable unit providing medium-term revenue visibility – RIPL had an order book of Rs. 254.8 crore as of May 2022 (~1.3 times of FY2022 revenues). This along with addition of CCIL's cable unit in Nasik will help the company in foraying into high voltage cable manufacturing and will support scaling up in future. CCIL has long vintage in the cable manufacturing segment, and the acquisition should help RIPL in getting the necessary technical qualifications to bid for EPC contracts involving extra high voltage cables.

Diversified product and services – RIPL offers various services like undertaking EPC projects, which includes supply, installation, commissioning of underground cables, cable joints, etc. It also manufactures and supplies molecular moisture management systems, which helps to improve electrical transformers performance by reducing insulation ageing and undertakes solar projects such as installation of different types of rooftop and ground mounted solar tracking systems. Further, with the acquisition of CCIL's Nasik unit, RIPL will also foray into manufacturing of extra high voltage cables.

Credit challenges

Debt-funded capex for CCIL's cable unit likely to moderate capital structure and debt coverage indicators; stabilisation and ramp-up of operations and profitability remain crucial – RIPL is in the process of acquiring CCIL's Nashik plant (cable and wire division), which had remained underutilised since the past few years. The total acquisition cost is around Rs. 187 crore and will be funded through a mix of debt, fund infusion by promoters and internal accruals. The acquisition cost included Rs 38 crore bank guarantees, for which counter guarantees was supposed to be given by RIPL. Nevertheless, out of Rs 38 crore BG envisaged earlier, the outstanding guarantee has reduced below Rs 25 crore and it is expected to reduce below Rs 15 crore by Mar-2023. A major portion of acquisition cost is planned to be funded by Rs 85 crore term loan which will result in moderation in leverage indicators. Nevertheless, the proposed term loan is expected to have a two years moratorium period and hence the coverage indicators are expected to remain satisfactory in the near to medium term. RIPL is also looking at incremental working capital limits of Rs. 70 crore and non-fund based limits of Rs. 89 crore to support the scale up. As on May 2022, the promoters have also brought in around Rs 18 crore fresh equity and additional Rs 6.5 crore long-term interest-free funds in the company, which is primarily deployed towards acquisition funding and scaling up of CCI operations. While this acquisition remains positive in terms of scaling up into high voltage cables, the proposed debt (for which full financial closure is yet to be achieved) will result in modest coverage indicators in the medium term until scale up, though the two years of moratorium on the term loan, flexibility to repay the erstwhile promoter's loans of ~Rs. 16 crore mitigate the pressure on coverage indicators to an extent. The timely stabilisation of CCIL's plant and its scale up as per the expected parameters remain crucial to improve RIPL's profitability and liquidity.

Moderate operating margins – The operating profits has remained volatile and declined to 3.9% in FY2022 from 7.4% in FY2021, primarily owing to dependence on imports for extra high voltage cables, apart from forex fluctuations to the extent of its unhedged exposure. Earlier, the company imported cable from China or European units, which resulted in additional cost and blocked sizeable funds in working capital due to the long lead time. With backward integration into cable manufacturing through CCIL's Nashik unit, the management is hopeful of expanding its overall operating margin in the medium term.

Working capital-intensive business – RIPL has a working capital-intensive nature of operations as evident from its high NWC/OI of 41% in FY2021. The same is expected to remain high in the range of 33-38%, going forward, owing to high receivable days and inventory holding period. Going forward, its ability to secure incremental working capital limits to support scale up and cater to a strong counterparty with a shorter payment cycle remain crucial.

Intense competition from large as well as unorganised players – The cable industry is inherently competitive with presence of multiple large established players in addition to some competition from the unorganised sector. This limits RIPL's pricing flexibility, to an extent.

Liquidity position: Adequate

RIPL's liquidity position is expected to remain adequate, driven by sufficient cash accruals against the repayments. It is in the process to avail Rs. 85 crore of additional long-term loans with two years of moratorium, which will be used for the proposed acquisition of CCIL's Nashik unit. Apart from this, it is looking at incremental working capital limits of Rs. 70 crore and non-fund-based limits of ~Rs. 89 crore to support the scale up. The average fund-based utilisation of the working capital limit was at around 31% in the past 12-month period that ended in March 2022. The promoters' intent to infuse equity or unsecured loans in case of need also provides comfort. Moreover, there is no fixed repayment obligation on Rs. 16 crore of unsecured loans, which offers comfort.

Rating sensitivities

Positive factors – Higher-than-expected ramp-up in operations along with maintenance of operating margins above 10% leading comfortable debt coverable metrics, and prudent working capital management supporting the overall liquidity may lead to a rating upgrade. Additionally, TD/OPBDITA below 3 times on a sustained basis may trigger a rating upgrade.

Negative factors – Slower-than-expected ramp-up in scale and profitability or a stretch in working capital leading to higher reliance on debt and pressure on debt metrics could exert downgrade pressure on the rating. Specific indicator that may lead to a downgrade will be DSCR below 1.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financials

About the company

Incorporated in 2009, RIPL undertakes EPC projects, which includes supply, installation, commissioning of underground cables, cable joints, etc. The company also manufactures and supplies molecular moisture management systems and undertakes solar projects such as installation of different types of rooftop and ground mounted solar tracking systems. RIPL is a part of the Ravin Group, which has other entities namely Ravin Cables Limited and Power Plus Cable Co. LLC (based in UAE) with three cable manufacturing plants in Ankleshwar, Pune and UAE. The Group will be adding another plant under RIPL with the acquisition of CCIL's cable unit, in Nashik, for manufacturing extra high voltage cables. The Ravin Group was established in 1950 by the Mumbai-based Karia family.

Key financial indicators (audited)

Ravin Infraproject Pvt. Ltd.	FY2021	FY2022P
Operating Income (Rs. crore)	84.3	188.0
PAT (Rs. crore)	3.9	3.9
OPBDIT/OI (%)	7.4%	3.9%
PAT/OI (%)	4.6%	2.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.9
Total Debt/OPBDIT (times)	-	1.9
Interest Coverage (times)	10.4	3.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, P: Provisional unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					10 June 2022	-	-	-
1	Term loan - I	Long-term	25.0	25.0	[ICRA]BBB- (Stable)	-	-	-
2	Term loan – II	Long-term	60.0	-*	[ICRA]BBB- (Stable)	-	-	-
3	Cash Credit	Long-term	85.0	-	[ICRA]BBB- (Stable)	-	-	-
4	Bank Guarantee & Letter of Credit	Short-term	130.0	-	[ICRA]A3	-	-	-

*Yet to be raised

Complexity level of the rated instruments:

Instrument	Complexity Indicator
Term loan	Simple
Cash Credit	Simple
Bank Guarantee & Letter of Credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loan - I	May-2022	9.30%	FY 2030	25.0	[ICRA]BBB- (Stable)
-	Term loan – II	Yet to be raised			60.0	[ICRA]BBB- (Stable)
-	Cash Credit				85.0	[ICRA]BBB- (Stable)
-	Bank Guarantee & Letter of Credit				130.0	[ICRA]A3

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis- NA

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