



SMERA RATINGS LIMITED

Rawatsons Engineers Private Limited (REPL)

**Rating
Rationale****January 21, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	12.00	SMERA A3 (Assigned)

SMERA has assigned a long-term rating of **'SMERA BBB-'** (read as **SMERA triple B minus**) and a short-term rating of **'SMERA A3'** (read as **SMERA A three**) to the Rs.20.00 crore bank facilities of Rawatsons Engineers Private Limited (REPL). The outlook is **'Stable'**. The ratings are supported by the company's experienced management, healthy financial risk profile and strong order book position. However, the ratings are constrained by the company's exposure to revenue concentration risk. The ratings are also constrained by the company's moderate operating scale and working capital-intensive operations.

REPL, incorporated in 1981, is a Kolkata-based company engaged in development of railway infrastructure. REPL benefits from its experienced management. Mr. Prajesh Rawat, director of REPL, has around three decades of experience in railway infrastructure development. REPL's healthy financial risk profile is reflected in debt-equity ratio of 0.73 times as on March 31, 2014 and interest coverage ratio of 2.74 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's strong order book position is reflected in unexecuted orders of ~Rs.130.00 crore which are likely to be executed over the next 24 months.

REPL derives more than 95 per cent of its revenue from Indian Railway, thereby constraining its business risk profile. Although company deals with various divisions of Indian Railway and orders are spread across different states. REPL's moderate scale of operation is reflected in operating income of Rs.39.70 crore in FY2013-14 which has declined from Rs.44.05 crore in FY2012-13. REPL's operations are working capital-intensive on account of high inventory days, security deposit and earnest money deposit to be kept with Indian Railway. The company's gross current assets days have increased to 331 days in FY2013-14 from 284 days in FY2012-13 on account of increase in inventory days to 164 in FY2013-14. As a result, the average bank limit utilization is high at ~88 per cent during April 2014 to November 2014.

Rating sensitivity factors

- Ability to scale up operations while maintaining stable profitability
- Working capital management and bank limit utilisation

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Rationale**

Outlook: Stable

SMERA believes REPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with Indian Railway. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and substantial improvement in profitability while maintaining comfortable capital structure. The outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of deterioration in the company's financial risk profile on account of increase in debt-funded working capital requirements.

About the company

REPL, incorporated in 1981, is a Kolkata-based company engaged in development of railway infrastructure. REPL is engaged in construction of road over bridges, foot over bridges and platform shelters. REPL was promoted by Mr. Pradeep Rawat, Mr. Prajesh Rawat and Mr. Damaru Rawat. The overall operations of the company are currently managed by Mr. Prajesh Rawat, Mrs. Sudha Rawat and Mr. Manas Rawat.

For FY2013-14, REPL reported profit after tax of Rs.1.85 crore on operating income of Rs.39.70 crore, as compared with profit after tax of Rs.2.30 crore on operating income of Rs.44.05 crore in the previous year. Further, in 9MFY2014-15 (refers to the period, April 01 to December 31), the company reported gross sales of Rs.33.88 crore (provisional), as compared with gross sales of Rs.26.85 crore for the corresponding period of the previous year. REPL's net worth stood at Rs.22.68 crore as on March 31, 2014, as compared with Rs.20.83 crore a year earlier.

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