

November 16, 2015

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

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short-term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.20.00 crore bank facilities of Rawatsons Engineers Private Limited (REPL). The outlook is '**Stable**'.

The ratings continue to draw comfort from the promoter's extensive industry experience and established track record. The ratings also take note of the above average financial risk profile marked by comfortable capital structure with net worth of over Rs.24 crore and healthy debt protections metrics of the company. However, the ratings are constrained by the moderate scale of operations, customer concentration risk and working capital intensive operations.

Update

For FY2014-15 (refers to financial year, April 1 to March 31), REPL reported operating profit of Rs.4.9 crore on operating income of Rs.49.5 crore as against operating profit of Rs.5.4 crore on operating income of Rs.39.7 crore a year earlier. The decline in operating profitability in FY2014-15 against FY2013-14 was majorly due to increasing competition from market players and volatile raw material prices. However, sustenance of operating profitability between 9 to 13 percent would be a key rating sensitive factor for REPL.

REPL's operations continue to remain working capital intensive marked by gross current asset days of over 300 in the past two years ending FY2014-15 majorly due to high inventory requirements, various types of deposits held with customers and bankers on account of its tender based operations.

REPL's has sustained its existing financial risk profile with gearing of around 0.6 times along with net worth of over Rs.24 crore as on March 31, 2015 coupled with healthy debt protections metrics marked by interest coverage ratio of 2.4 times and net cash accruals to total debt ratio of 0.15 times in 2014-15. Going forward, SMERA expects the financial risk profile to further improve from current levels considering the expected revenue growth over the medium term and orders in hand worth around Rs.180 crore to be executed over the next few years.

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REPL's liquidity position is expected to remain tight over the medium term on account of expected incremental working capital requirements due to its growing revenues. However, the company doesn't have any significant term debt obligation. Also, the company receives additional funding support by ways of unsecured loans from promoters. Unsecured loans from promoters as on March 31, 2015 stood at around Rs. 5.07 crore against Rs. 6.04 crore a year earlier. SMERA believes that the promoters of the company are financially well off and would continue providing funding support in case of any financial exigencies or as and when required.

Outlook: Stable

SMERA believes that REPL will continue to benefit over the medium term from the promoters extensive industry experience and established relations with Indian Railways. The outlook may be revised to 'Positive' if the company reports substantial and sustainable revenues or operating margins leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if operating margins decline further largely due to rising competition, volatility in raw material prices or if the financial risk profile significantly deteriorates on account of larger than expected debt-funded working capital requirements.

About the Company

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

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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