

Press Release

Rawatsons Engineers Private Limited (REPL)

10 February, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 Cr
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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

Incorporated in 1981, REPL promoted by Mr. Pradeep Rawat, Mr. Prajesh Rawat and Mr. Damaru Rawat is engaged in the development of railway infrastructure.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: The promoters possess more than three decades of experience in the abovementioned line of business.

Healthy financial risk profile: REPL has healthy financial risk profile marked by gearing of around 0.50 times along with net worth of Rs.27.37 crore as on 31 March, 2016. The debt protection metrics have been healthy with interest coverage ratio of 3.01 times and net cash accruals to total debt (NCA to TD) ratio of 0.24 times in FY2015-16. Going forward, SMERA expects the financial risk profile to further improve considering the expected revenue growth over the medium term and orders in hand of around Rs.~114.00 crore to be executed over the next few years.

Weaknesses:

Working capital intensive operations: REPL's operations continue to remain working capital intensive marked by gross current asset days of over 239 for FY2016 and 279 days for FY2015. High GCA emanates mainly from the high inventory days of 106 and debtor days of 18 for FY2016.

Moderate scale of operations coupled with customer concentration risk: The company has moderate scale of business with operating income of Rs.58.10 crore in FY2016 despite being in business for more than three decades. Moreover, the company is highly dependent on the Indian Railways for orders which account for around 98 per cent of the total revenue.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Outlook: Stable

SMERA believes that REPL will continue to benefit over the medium term owing to its 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 its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the operating margins decline due to increasing competition or volatility in raw material prices. Deterioration in the financial risk profile owing to larger than expected debt-funded working capital requirements may entail a 'Negative' outlook.

About the Rated Entity

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 are managed by Mr. Prajesh Rawat, Mrs. Sudha Rawat and Mr. Manas Rawat.

The company reported profit after tax (PAT) of Rs. 2.75 crore on operating revenues of Rs.58.10 crore for FY2015-16, as compared with PAT of Rs.1.93 crore on operating revenues of Rs.49.39 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	8.00	SMERA BBB-/Stable (Reaffirmed)	16 Nov, 2015	SMERA BBB-/Stable (Reaffirmed)	21 Jan, 2015	SMERA BBB-/Stable (Assigned)	-	-
Bank Guarantee	ST	12.00	SMERA A3 (Reaffirmed)	16 Nov, 2015	SMERA A3 (Reaffirmed)	21 Jan, 2015	SMERA A3 (Assigned)	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	8.00	SMERA BBB-/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	12.00	SMERA A3 (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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