

Press Release

28 April, 2017

Rawatsons Engineers Private Limited

Rating Reaffirmed

| | |
|--------------------------------------|-----------------------------|
| Total Bank Facilities Rated * | Rs.29.00 Cr |
| Long Term Rating | SMERA BBB-/ Outlook: Stable |
| Short Term Rating | SMERA A3 |

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 29.00 cr bank facilities of Rawatsons Engineers Private Limited. The outlook is '**Stable**'.

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.

Key Rating Drivers

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. The 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 cr 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.

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 - Key Financials

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

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Name of Instrument /Facilities | FY2017 | | | | | FY2016 | | FY2015 | |
|--------------------------------|--------|-----------------------------|----------------------------------|-------------|----------------------------------|-------------|----------------------------------|-------------|--------------------------------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Cash Credit | LT | 10.00 (Enhanced from 8.00) | SMERA BBB- / Stable (Reaffirmed) | 10 Feb 2017 | SMERA BBB- / Stable (Reaffirmed) | 16 Nov 2015 | SMERA BBB- / Stable (Reaffirmed) | 21 Jan 2015 | SMERA BBB- / Stable (Assigned) |
| Stand by Letter of Credit | ST | 1.50 | SMERA A3 (Assigned) | - | - | - | - | - | - |
| Bank Guarantee | ST | 17.00 (Enhanced from 12.00) | SMERA A3 (Reaffirmed) | 10 Feb 2017 | SMERA A3 (Reaffirmed) | 16 Nov 2015 | SMERA A3 (Reaffirmed) | 21 Jan 2015 | SMERA A3 (Assigned) |
| Proposed | ST | 0.50 | SMERA A3 (Assigned) | - | - | - | - | - | - |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---------------------------|------------------|----------------|----------------|-----------------------------|----------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA BBB- / Stable (Reaffirmed) |
| Stand by letter of credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | SMERA A3 (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 17.00 | SMERA A3 (Reaffirmed) |
| Short Term (Proposed) | Not Applicable | Not Applicable | Not Applicable | 0.50 | SMERA A3 (Assigned) |

Contacts:

| Analytical | Rating Desk |
|---|---|
| Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in | Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Vishal Choudhary Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in | |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.