

Press Release

RAWATSONS ENGINEERS PRIVATE LIMITED

August 02, 2018

Rating Downgraded



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 29.00 Cr. |
| Long Term Rating | ACUITE BB+ / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE BB Plus**) from '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A Three**) on the Rs. 26.00 crore bank facilities of RAWATSONS ENGINEERS PRIVATE LIMITED. The outlook is '**Stable**'.

Acuite has assigned a long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 3.00 crore bank facilities of RAWATSONS ENGINEERS PRIVATE LIMITED. The outlook is '**Stable**'.

The downgrade revision is in view of lower than expected revenues and deterioration in working capital cycle in FY2018 over FY2017. Acuite believes that the ability of the firm to maintain its revenue and further improve its working capital cycle by maintaining adequate liquidity will be a key rating sensitivity.

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

Key Rating Drivers

Strengths

- **Long track record of operations**

Promoters have more than three decades of experience in the same line of business.

- **Geographical Diversification**

The company has undertaken contracts and works for the Indian Railways across the country.

Weaknesses

- **Average financial risk profile**

REPL has average financial risk profile marked by gearing of around 0.65 times along with net worth of Rs.29.56 crore as on 31 March 2018 (Provisional). The debt protection metrics have been average with interest coverage ratio of 1.58 times and net cash accruals to total debt (NCA to TD) ratio of 0.06 times in FY2018 (Provisional). The EBITDA margins have fallen to 4.75 percent in FY2018 (Provisional) as compared to 11.27 percent in FY017. The PAT margins have also fallen to 1.51 percent in FY2018 (Provisional) as compared to 4.66 percent in FY2017.

- **Working capital intensive operations**

REPL's operations continue to remain working capital intensive marked by gross current asset days of over 421 for FY2018 (Provisional) and 212 days for FY2017. High GCA emanates mainly from the high inventory days of 158 days and debtor days of 15 days for FY2018 (Provisional).

- **Moderate scale of operations coupled with customer concentration risk**

The company has moderate scale of business with operating income of Rs. 53.63 crore in FY2018 (Provisional) 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 percent of the total revenue.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of REPL to arrive at the rating.

Outlook: Stable

Outlook: Stable ACUTE believes that REPL will continue to benefit over the medium term from 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 operating margins decline due to rising competition, volatility in raw material prices.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 43.63 | 49.46 | 58.10 |
| EBITDA | Rs. Cr. | 2.07 | 5.58 | 6.33 |
| PAT | Rs. Cr. | 0.66 | 2.73 | 2.75 |
| EBITDA Margin | (%) | 4.75 | 11.27 | 10.90 |
| PAT Margin | (%) | 1.51 | 5.52 | 4.74 |
| ROCE | (%) | 6.18 | 13.45 | 15.43 |
| Total Debt/Tangible Net Worth | Times | 0.66 | 0.56 | 0.50 |
| PBDIT/Interest | Times | 1.58 | 3.45 | 3.01 |
| Total Debt/PBDIT | Times | 5.82 | 2.40 | 1.99 |
| Gross Current Assets (Days) | Days | 421 | 212 | 239 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|---------------------|
| 28-Apr-2017 | Cash Credit | Long Term | INR 10.00 | ACUTE BBB- / Stable |
| | Bank Guarantee | Short Term | INR 17.00 | ACUTE A3 |
| | Standby Letter of Credit | Short Term | INR 1.50 | ACUTE A3 |
| | Proposed Short Term Loan | Short Term | INR 0.50 | ACUTE A3 |
| 10-Feb-2017 | Cash Credit | Long Term | INR 8.00 | ACUTE BBB- / Stable |
| | Bank Guarantee | Short Term | INR 12.00 | ACUTE A3 |
| 16-Nov-2015 | Cash Credit | Long Term | INR 8.00 | ACUTE BBB- / Stable |
| | Bank Guarantee | Short Term | INR 12.00 | ACUTE A3 |
| 21-Jan-2015 | Cash Credit | Long Term | INR 8.00 | ACUTE BBB- / Stable |
| | Bank Guarantee | Short Term | INR 12.00 | ACUTE A3 |

***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 | ACUITE BB+/ Stable |
| Proposed Banking Facility | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE BB+/ Stable |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 14.00 | ACUITE A4+ |
| Standby Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE A4+ |
| Proposed Banking Facility | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A4+ |

Contacts

| Analytical | Rating Desk |
|---|---|
| <p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in</p> <p>Viren Rangparia Analyst - Rating Operations Tel: 022-67141363 viren.rangparia@acuite.in</p> | <p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p> |

About Acuité Ratings & Research:

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