

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

Acuité 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**'.

Acuité 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. Acuité 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

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

Outlook: Stable

Outlook: Stable ACUITE 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	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	INR 17.00	ACUITE A3
	Standby Letter of Credit	Short Term	INR 1.50	ACUITE A3
	Proposed Short Term Loan	Short Term	INR 0.50	ACUITE A3
10-Feb-2017	Cash Credit	Long Term	INR 8.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	INR 12.00	ACUITE A3
16-Nov-2015	Cash Credit	Long Term	INR 8.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	INR 12.00	ACUITE A3
21-Jan-2015	Cash Credit	Long Term	INR 8.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	INR 12.00	ACUITE 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+

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About Acuité Ratings & Research:

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