

Press Release

Rawatsons Engineers Private Limited

May 12, 2021

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated*	Rs.29.00 Cr
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.29.00 crore bank facilities of Rawatsons Engineers Private Limited (REPL). The outlook is '**Stable**'.

The rating was downgraded to ACUITE BB/A4+ from ACUITE BB+/Stable/A4+ via rationale dated January 06, 2021. The downgrade was on account of information risk. However, they have now cooperated with Acuite in furnishing information required for the review process.

The rating on REPL factors in the long standing experience of the promoters and the company's healthy financial risk profile characterized by low leverage and healthy debt coverage indicators. These strengths are, however, partially offset by working capital intensive operations and competitive and fragmented industry.

Incorporated in 1981, Rawatsons Engineers Private Limited (REPL), is a Kolkata-based company engaged in the development of railway infrastructure. REPL mainly constructs steel bridge girders, foot over bridges and platform shelters. The company is promoted by Mr. Pradeep Rawat, Mr. Prajesh Rawat and Mr. Damaru Rawat.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced presence in the industry**

REPL started its operations in 1981 under the leadership of Mr. Pradeep Rawat, Mr. Prajesh Rawat and Mr. Damaru Rawat who possesses industry experience of over three decades. Acuite believes that the long standing experience of the promoters and the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Healthy financial risk profile**

The company's financial risk profile is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company increased to Rs.33.47 crores as on March 31, 2020, compared to Rs.31.65 crores on March 31, 2019 due to retention of profits in FY2020. The company has low gearing at 0.56 times as on March 31, 2020 as against 0.64 times as on March 31, 2019. The debt of Rs.18.65 crores consists of short term debt of Rs.8.85 crores, long term debt of Rs.4.92 crores, unsecured loans of Rs.4.18 crores and current maturity of Rs.0.70 crore as on March 31, 2020. The debt protection metrics of the company is marked by Interest Coverage Ratio which stood at 2.30 times in FY2020 as against 2.56 times in FY2019 and Debt Service Coverage Ratio (DSCR) stood at 1.50 times in FY2020 as against 2.18 times in FY2019. The NCA/TD(Net Cash accruals to total debt) stood at 0.12 times in FY2020 as compared to 0.13 times in FY2019. Acuite believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

• Working capital intensive operations

The working capital operations of the company are intensive as reflected from its Gross Current Assets (GCA) days of 264 days in FY 2020 in line with 256 days in FY 2019. The high GCA days emanates from high amount of current assets of Rs.24.11 crores as on March 31, 2020. The other current assets consist of mainly deposits with railways of Rs.13.02 crores, balances with government authorities of Rs.3.73 crores and advances to suppliers and staff of Rs.4.21 crores. The company's inventory days stood at 81 days in FY 2020 similar with 85 days in FY 2019. The debtor days stood at 63 days in FY2020 against 53 days in FY2019. The maximum credit allowed to the customers is around 90 days. Acuite believes that the working capital operations of the firm will remain at similar levels over the medium term owing to the nature of the industry.

• Competitive and fragmented industry

The company is engaged in civil construction work for Indian Railways. The company faces competition from the other mid to big size players in the sector. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than thirty years.

Rating Sensitivity

- Improvement in working capital management
- Sustenance of financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.2.21 crores in FY2020 as against long term debt repayment of Rs.0.68 crores in the previous year. The current ratio stood strong at 3.08 times as on March 31, 2020 as compared to 2.49 times as on March 31, 2019. The cash and bank balances of the company stood at Rs.0.12 crore as on March 31, 2020 as compared to Rs.0.10 crore as on March 31, 2019. However, the fund based limit remains utilised at 89 per cent over the eight months ended February, 2021. The company has availed covid loan of Rs.2.15 crores. Acuite believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and healthy financial risk profile. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	70.53	72.10
PAT	Rs. Cr.	1.82	2.11
PAT Margin	(%)	2.58	2.93
Total Debt/Tangible Net Worth	Times	0.56	0.64
PBDIT/Interest	Times	2.30	2.51

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
06-Jan-2021	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded and Indicative)
	Standby letter of credit	Short Term	1.50	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Indicative)
	Proposed bank facility	Short Term	0.50	ACUITE A4+ (Indicative)
24-Oct-2019	Cash Credit	Long Term	10.00	ACUITE BB+/Stable (Reaffirmed)
	Standby letter of credit	Long Term	1.50	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Proposed bank facility	Short Term	0.50	ACUITE BB+/Stable (Reaffirmed)
02-Aug-2018	Cash Credit	Long Term	10.00	ACUITE BB+/Stable (Downgraded)
	Proposed bank facility	Long Term	1.50	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A4+ (Downgraded)
	Standby letter of credit	Short Term	1.50	ACUITE A4+ (Downgraded)
	Proposed bank facility	Short Term	2.00	ACUITE A4+ (Downgraded)

*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	10.50	ACUITE BB+/Stable (Upgraded)
Standby letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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