

## Press Release

Rawatsons Engineers Private Limited

August 02, 2022



### Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BB   Stable   Downgraded	-
Bank Loan Ratings	18.50	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	29.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) 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 on REPL continues to factor in the long standing experience of the promoters and the company's moderate financial risk profile. These strengths are, however, partially offset by working capital intensive operations and competitive and fragmented industry.

Reason for Downgrade:

The rating downgraded is based on continuous deterioration in EBITDA margin since last three years ending FY2022. In addition, there is deterioration in liquidity profile in the form of tightly matching net cash accruals against repayment obligations and high reliance on bank lines

### About the Company

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. Acuité 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.

- **Moderate Financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.35.28 Cr and Rs.34.09 Cr as on March 31, 2022(Prov.) and 2021, respectively. The gearing of the company has been improving over the last 2 years ending March 31, 2022(Prov) due to decrease in long term debt and increase in net worth levels. It stood at 0.48 times as on March 31, 2022(Prov.) against 0.65 times as on March 31, 2021. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.72 times and 1.83 times as on March 31, 2022(Prov.) respectively as against 2.38 times and 1.13 times as on March 31, 2021 respectively. The decline in debt protection metrics is on account of increase in interest expense. TOL/TNW stood at 0.78 times and 0.93 times as on March 31, 2022(Prov.) and 2021 respectively. The debt to EBITDA of the company stood at 3.12 times as on 31 March, 2022(Prov.) as against 4.23 times as on 31st March, 2021. Acuité 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 management of the company remained moderate with high gross current asset (GCA) days at 248 days as on March 31, 2022(Prov.) as against 274 days as on March 31, 2021. Inventory days stood at 113 days as on March 31, 2022(Prov) as against 110 days as on 31 March, 2021. Subsequently, the payable period stood at 57 days as on March 31, 2022(Prov.) as against 56 days as on March 31, 2021 respectively. The debtor day stood at 10 days as on March 31, 2022(Prov.) as against 33 days as on March 31, 2021. Further, the average bank limit utilization in the last twelve months ended June, 22 remained at ~93 percent for fund based bank facilities. Acuité believes that the working capital operations of the company 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 Sensitivities**

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

## **Material covenants**

None

## **Liquidity Position: Stretched**

The company's liquidity is stretched marked by net cash accruals of Rs.1.64 Cr in FY2022(Prov.) as against the repayment of Rs.1.43 Cr for the same period and expected to generate cash accruals in the range of Rs.1.62-2.67 Cr. Against current portion of long term debt of Rs.0.85- 1.52 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.05 Cr as on March 31, 2022(Prov). The current ratio of the company stood at

2.69 times as on 31 March, 2022(Prov). Acuité believes that REPL liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

### Outlook: Stable

Acuité 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 and liquidity. 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

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	82.18	74.68
PAT	Rs. Cr.	1.19	0.62
PAT Margin	(%)	1.45	0.83
Total Debt/Tangible Net Worth	Times	0.48	0.65
PBDIT/Interest	Times	2.72	2.38

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 May 2021	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BB+   Stable (Upgraded from ACUITE BB )
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
06 Jan 2021	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
	Standby Line of Credit	Short Term	1.50	ACUITE A4+ (Issuer not co-operating*)
	Standby Line of Credit	Long Term	1.50	ACUITE BB+   Stable (Reaffirmed)

24 Oct 2019	Proposed Bank Facility	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+   Stable (Reaffirmed)
02 Aug 2018	Cash Credit	Long Term	10.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Proposed Bank Facility	Long Term	1.50	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Standby Line of Credit	Short Term	1.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ (Downgraded from ACUITE A3)
28 Apr 2017	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	1.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Loan	Short Term	0.50	ACUITE A3 (Assigned)
10 Feb 2017	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A3 (Reaffirmed)
16 Nov 2015	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A3 (Reaffirmed)
21 Jan 2015	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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