



Press Release
Rawatsons Engineers Private Limited
January 30, 2024
Rating Reaffirmed

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

Rating Rationale

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

Rationale for Reaffirmation

The rating reaffirmation factors in the sound business risk profile of the company as reflected from its growing revenue trend in current year and healthy order book position. The company has achieved revenues of Rs. 84.96 Cr in FY2023 as compared to revenues of Rs. 82.26 Cr in FY2022 on account of healthy order inflow during the period. Further, the company has already achieved revenue of around Rs.61.54 Cr. till Dec'23 (Provisional). The rating also gets comforts from the increase in profitability margins. The operating margin of the company increased to 7.28 per cent in FY2023 as compared to 4.78 per cent in FY2022. This significant increase in operating margin is because the company is able to successfully transfer cost escalations to counter parties and has also been able to revise the prices for existing projects to align with the new steel rates.

The rating also factors in the healthy order book of the company which stood at Rs.194.84 Cr as on December 2023. The rating also draws comfort from management's extensive experience and above average financial position, characterized by a moderate net worth base and comfortable capital structure.

However, these strengths are partially offset by the working capital intensive operations and presence in a competitive and fragmented industry.

About the Company

West Bengal based, Rawatsons Engineers Private Limited(REPL) was incorporated in 1981. It is engaged in the business of development of railway infrastructure. REPL mainly constructs steel bridge girders, foot over bridges and platform shelters. Mr. Prajesh Rawat, Mrs. Sudha Rawat, Mr. Damaru Dhar Rawat are directors of the entity.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experience management and long track record of operations**

In 1981, REPL commenced its operations with Mr. Pradeep Rawat, Mr. Prajesh Rawat, and Mr. Damaru Rawat at the helm, each bringing over three decades of industry expertise. Acuité believes that the extensive experience of the promoters and their established track record will contribute to the company's continued growth, ensuring a steady expansion in operational scale.

- **Steady scale of operations with low counterparty risk**

The company has achieved revenues of Rs. 84.96 Cr in FY2023 as compared to revenues of Rs. 82.26 Cr in FY2022. The turnover of the company has been growing at y-o-y of about 3.28 per cent. REPL has an unexecuted order book position of Rs.194.84 Cr as on December 2023 which will be executed in 17-18 months. Further, the company has already achieved revenue of around Rs.61.54 Cr. till Dec'23 (Provisional). Going forward, Acuite believes that the revenue of the company will improve backed by healthy order book position, which imparts revenue visibility over to medium term.

The operating margin of the company increased to 7.28 per cent in FY2023 as compared to 4.78 per cent in FY2022. This significant increase in operating margin is on account of adoption of new pricing based on updated steel prices and the revision of prices for executed projects to align with the new steel rates for tapping the price escalation. Acuité believes that the profitability margin of the company will improve backed by in-built price escalation clause that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to an extent. Further, the PAT margin of the company also increased to 3.60 per cent in FY2023 as compared to 0.97 per cent in FY2022. The ROCE levels stood at 12.24% in FY2023, up from 7.44% in FY2022.

The company has reputed clientele, leading to low counter party risk since entire revenue is generated from the Indian Railways.

Acuité believes the profitability margin of the company will be improved over the medium term on account of availability of adequate price escalation clause with the counter party.

- **Above Average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.37.95 Cr as on March 31, 2023 as compared to Rs.34.88 Cr. as on March 31, 2022. This improvement in networth is mainly due to the retention of current year profits in reserves. The gearing of the company stood low at 0.45 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.67 times as on March 31, 2023. The debt protection metrics of the company stood comfortable marked by Interest coverage ratio (ICR) of 3.07 times and debt service coverage ratio (DSCR) of 2.36 times for FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.20 times in FY2023. Going forward, Acuité believes the financial risk profile of the company will remain above average on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

Weaknesses

- **Working capital intensive nature of operations**

The working capital operations of the company is intensive marked by high gross current asset (GCA) days of 255 days for FY2023 as compared to 260 days for FY2022. The inventory days stood at 98 days as on 31st March 2023 as compared to 102 days as on 31st March 2022.

However, the debtor days stood at 23 days in FY2023 as against 9 days in FY 2022. The GCA days is high on account of a high proportion of other current assets consisting of other loans and advances and other deposits. Against this, the company has moderate dependence on its suppliers to support the working capital; creditors stood at 38 days as on March 31, 2023. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

- **Competitive and fragmented industry**

The company is engaged in providing H Beam sleepers 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

- Sustainability of revenue along with improvement in profitability margins
- Sustenance of capital structure
- Elongation of Working capital cycle

Liquidity Position Adequate

The company has adequate liquidity marked by steady net cash accruals of Rs. 3.42 Cr. as on March 31, 2023 as against Rs. 0.15 Cr long term debt obligations over the same period. The cash & Bank balance stood at Rs. 2.54 Cr for FY 2023. The current ratio of the company stood comfortable at 3.15 times in FY2023. However, the bank limit of the company has been ~96.75 percent utilized for the last six months ended in December 2023. Further, the working capital operations of the company is intensive marked by high gross current asset (GCA) days of 255 days for FY2023 as compared to 260 days for FY2022.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals and absence of any major debt funded capex plans over the medium term.

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 scale of operations while maintaining profitability and improve its working capital cycle. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	84.96	82.26
PAT	Rs. Cr.	3.06	0.80
PAT Margin	(%)	3.60	0.97
Total Debt/Tangible Net Worth	Times	0.45	0.48
PBDIT/Interest	Times	3.07	2.26

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Oct 2023	Cash Credit	Long Term	10.50	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Issuer not co-operating*)
	Standby Line of Credit	Short Term	1.50	ACUITE A4+ (Issuer not co-operating*)
02 Aug 2022	Standby Line of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
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*)

Annexure - Details of instruments rated

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

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.