

Press Release

BHARAT RAIL AUTOMATIONS PRIVATE LIMITED

05 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 95.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as SMERA BBB minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.95.00 crore bank facilities of BHARAT RAIL AUTOMATIONS PRIVATE LIMITED (BRAPL). The outlook is '**Stable**'.

Bharat Rail Automations Private Limited was established as a partnership firm by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia in 1986 and converted to a private limited entity in 2004. The Mumbai-based company caters to the Indian Railways and undertakes installation of railway safety and signalling systems i.e. installation of SSI, Panel interlocking and Route Relay Interlocking, Automatic Signalling etc.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

The company was established as a partnership firm by Mr. Bhupesh Dhabalia in 1986 and converted to a private limited entity in 2004. The company is empanelled as a Class-I signalling contractor and has ISO 9001:2008 certification for Design of Signalling Equipment System and Installation, Testing & Commissioning of Signalling Projects. Both the directors are engineers by qualification and have more than three decades of experience in the said line of business. SMERA believes that BRAPL will sustain the existing business profile over the near to medium term backed by the experienced management

• Reputed customer base

The company has healthy relations with clients including Indian Railway Project Management Unit (IRPMU), Mumbai Railway Vikas Corporation Limited, Rites Limited and Metro Rail Corporation Limited. The strong project execution capability of the company has helped it secure repeat orders from Indian Railways.

• Moderate financial risk profile

The company has moderate financial risk profile marked by moderate net worth of Rs. 30.14 crore (includes Rs. 9.28 crore considered as quasi equity) as on 31 March, 2017 as against Rs. 26.94 crore as on 31 March, 2016. The gearing stood at 0.66 times as on 31 March, 2017 as against 0.50 times as on 31 March, 2016. The Interest Coverage Ratio stood at 2.13 times in FY2017 as against 1.96 times in FY2016. The DSCR stood at 1.91 times in FY2017 as against 1.77 times in FY2016. The net cash accruals stood at Rs. 2.91 crores in FY2017 as against Rs. 2.07 crore in FY2016. SMERA believes that BRAPL will maintain its financial risk profile on the back of the healthy net cash accruals and absence of long term debt obligation.

• Healthy order book position

BRAPL has healthy order book position of Rs. ~182 crore out of which work executed till the month of November is around Rs. 87.00 crore for Indian Railways. This provides revenue visibility for the near future. The company expects orders amounting to Rs. 138.79 crore.

Weaknesses

- **Working capital intensive operations**

BRAPL has working capital intensive operations marked by high GCA days of 308 days in FY2017 as against 293 days in FY2016. This is majorly on account of high receivable days which stood at 169 days in FY2017 as against 84 days in FY2016 mainly because the company caters to government entities (Indian Railways) and the payment terms are ~90 days. Also the majority of the revenue was booked in the last quarter of FY2017. The debtors increased to 169 days in FY2017. The creditor days stood at 90 days as against 125 days in FY2016. The average bank limit utilisation stood at 94.10 percent for the last six months ended November 2017.

- **Tender based nature of operations and competitive industry**

The revenues of BRAPL are generated through tender based orders floated by Indian Railways coupled with the increasing competition in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of BRAPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on BRAPL's rated facilities will remain stable over the medium term on account of its experienced promoters and healthy order book position. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	62.96	54.38	41.36
EBITDA	Rs. Cr.	6.07	4.72	4.33
PAT	Rs. Cr.	2.69	1.84	1.78
EBITDA Margin	(%)	9.65	8.68	10.47
PAT Margin	(%)	4.28	3.38	4.31
ROCE	(%)	14.34	13.14	25.01
Total Debt/Tangible Net Worth	Times	0.66	0.50	0.47
PBDIT/Interest	Times	2.13	1.96	2.10
Total Debt/PBDIT	Times	2.93	2.56	2.35
Gross Current Assets (Days)	Days	308	293	367

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BBB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA A3
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	SMERA A3

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ABOUT SMERA

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