

## Press Release

### Bharat Rail Automations Private Limited

February 03, 2020

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs.95.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Stable (Upgraded from ACUITE BBB-/Stable)
<b>Short Term Rating</b>	ACUITE A3+ (Upgraded from ACUITE A3)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A3 plus**) from '**ACUITE A3**' (read as **ACUITE A3**) on the Rs.95.00 crore bank facilities of Bharat Rail Automation Private Limited (BRAPL). The outlook is '**Stable**'.

The rating upgrade is on account of sustained improvement in the business and financial risk profile of BRAPL. The company has achieved a revenue growth of ~86 per cent in FY2019 over FY2018 marked by revenue of Rs. 111.39 crore in FY2019 as against Rs. 59.92 crore in FY2018. The improvement in revenues are majorly on account of healthy order book position and higher execution of orders. The company has reported revenue of ~Rs. 144.75 crore from for 9MFY2020. The financial risk profile of the company has also improved marked by improvement in Debt-EBITDA, Gearing and coverage indicators. Debt to EBITDA stood at 1.60 times in FY2019 against 2.66 times in the previous year. Gearing improved to 0.45 times as on March 31, 2019 from 0.57 times as on March 31, 2018. Further, Interest Coverage Ratio (ICR) has improved to 2.96 times in FY2019 from 2.05 times in FY2018. Acuite believes that the company will be able to sustain its business risk profile over the near to medium term on account of healthy order book position.

Mumbai based, Bharat Rail Automations Private Limited (BRAPL) was established as a partnership firm by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia in 1986 and later in 2004 the constitution was changed to private limited company. The company caters to reputed clientele such as Indian Railways and its affiliates. The company undertakes installation of railway safety and signaling systems i.e. installation of SSI, Panel interlocking and Route Relay Interlocking, Automatic Signaling etc.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### • Experienced management, established track record of operation and association with Indian Railways

BRAPL was established in the year 1986 and is engaged in installation of railway safety signaling systems. The company is empaneled as a Class-I signaling contractor and is an ISO 9001:2008 certification for Design of Signaling Equipment System and Installation, Testing & Commissioning of Signaling Projects. The company is promoted by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia who manages the day to day operations of the company. Further, both the directors have more than three decades of experience in the said line of business. This has helped the company maintain healthy order book position of ~Rs.250 crore as on December 2019, thereby giving a healthy revenue visibility in near to medium term.

Acuite believes that the company will continue to benefit through the promoters' extensive industry experience, established track record, healthy order book position and its association with the Indian

Railways over the medium term.

#### • **Growing scale of operations**

BRAPL has recorded consistent growth in scale of operations during the period under study. The operating income has grown at a CAGR of 33 percent for last three years ending FY2019. The operating income has increased to Rs. 111.39 crore in FY2019 over Rs. 59.92 crore in FY2018. Further, the company has achieved operating income of ~Rs.144.75 crore for 9MFY2020. Further, the company has a comfortable order book of ~Rs. 255.00 crores as on December 2019 thereby giving healthy revenue visibility in near to medium term.

#### • **Healthy financial risk profile**

BRAPL's financial risk profile is healthy marked by its moderate net worth, low gearing and healthy debt protection measures. The net worth improved to Rs. 40.33 crore (including quasi equity of Rs.xxx crore) as on 31 March, 2019 from Rs.32.90 crore in the previous year on account of higher accretion to reserves and increase in quasi capital of Rs. 1.50 crore. BRAPL gearing improved to 0.45 times as on 31 March 2019 from 0.57 times as on 31 March, 2018. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.57 times during the period. The total debt of Rs.18.24 crore consists entirely of short-term debt obligations. The interest coverage ratio has slightly improved at 2.96 times in FY19 against 2.05 times in the previous year. TOL/TNW ratio stood at 1.55 times in as on March 31, 2019.

Acuité believes that the financial risk profile will continue to remain stable on account of healthy cash accruals and minimal reliance on debt.

### **Weaknesses**

#### • **Working capital intensive nature of operations**

BRAPL's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 309 days in FY2019 against 335 days in FY2018. GCA are primarily driven by elongated debtors of 128 days and inventory of 93 days for FY2019. This has led to higher utilization of working capital which stood at ~91 percent for last six months ending December 2019.

#### • **Tender based nature of operations and competitive industry**

The infrastructural contracting sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been operating in the industry for more than a decade.

### **Liquidity Position: Adequate**

BRAPL has adequate liquidity marked by moderate net cash accruals. The company generated cash accruals in the range of Rs. 2.91 to Rs. 6.01 crore for FY2017-2019 as against no repayment obligation. The cash accruals of the company are estimated to remain at around Rs. 7.00 to Rs. 7.60 crore over the medium term. The company's operations are working capital intensive as marked by high Gross Current Asset (GCA) days of 309 in FY 2019. The company maintains unencumbered cash and bank balances of Rs.0.33 crore as on March 31, 2019. The average bank limit utilization stood high at 91 per cent for last six months ending December 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual.

### **Rating Sensitivities**

- A sustained improvement in the scale of operations while maintaining profitability will be a key monitorable.
- Any further elongation in working capital cycle leading to increased dependence on banking borrowing will be a key rating sensitivity.

### **Material Covenants**

None

### **Outlook: Stable**

Acuite believes that BRAPL will maintain a stable outlook over the medium term on account of its promoter's extensive experience, healthy financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	111.39	59.92
Profit After Tax (PAT)	Rs. Cr.	5.93	2.77
PAT Margin	(%)	5.32	4.62
Total Debt/Tangible Net Worth	Times	0.45	0.57
PBDIT/Interest	Times	2.96	2.05

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

CRISIL vide its press release dated 30 September, 2019 has mentioned the rating of BRAPL to 'CRISIL B+/Stable/A4' Issuer not cooperating as on 30-Sept-2019.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure entities- <https://www.acuite.in/view-rating-criteria-14.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. Crore.)	Ratings/Outlook
24-Apr-2019	Cash Credit	Long Term	20.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	13.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	45.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
05-Feb-2018	Cash Credit	Long Term	20.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	13.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	45.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Short Term	17.00	ACUITE A3 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB/Stable (Upgraded from BBB-/Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB/Stable (Upgraded from BBB-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A3+ (Upgraded from ACUITE A3)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A3+ (Upgraded from ACUITE A3)

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## About Acuité Ratings & Research:

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