

Press Release

Bharat Rail Automations Private Limited

July 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	45.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 65.00 crore bank facilities of Bharat Rail Automations Private Limited (BRAPL). The outlook is '**Stable**'.

Reason for Rating Reaffirmation

The rating reaffirmation takes into account the consistent operational and financial performance of BRAPL marked by limited growth in operating income, stable profitability and healthy financial risk profile. BRAPL's operating income stood at Rs.117.95 Cr in FY2022 (Prov.) as against Rs.112.04 Cr in FY2021 and Rs.144.92 Cr in FY2020. The operating margin ranged between 8.75-10 percent in last three years ended FY2022 (Prov.). Overall gearing was nil as on March 31, 2022 (Prov.) as against 0.13 times as on March 31, 2021 and 0.44 times as on 31 March 2020. These strengths are partially offset by working capital intensive nature of operations of BRAPL, marked by Gross Current Assets (GCA) days of 272 days as on March 31, 2022 (Prov.) as compared to 235 days as on March 31, 2021 and 226 days as on March 31, 2020.

About the Company

BRAPL 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of BRAPL for arriving at the rating.

Key Rating Drivers

Strengths

> Established track record of operations and experienced management

BRAPL is promoted by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia who also manages the day to day operations of the company. The company is empaneled as a Class-I signaling contractor and has ISO 9001:2008 certification for Design of Signaling Equipment System and Installation, Testing & Commissioning of Signaling Projects. Both the directors have more than three decades of experience in the said line of business. BRAPL's operating income stood at Rs.117.95 Cr in FY2022 (Prov.) as against Rs.112.04 Cr in FY2021 and Rs.144.92 Cr in FY2020. The decline in operating income is mainly due to impact of Covid-19 on overall business operations of the Company and the industry. As on June 2022, BRAPL's unexecuted order book position stood at Rs. 260 Cr, which provides medium term revenue visibility.

Acuité believes that the company will continue to benefit through the promoters' extensive industry experience over the medium term.

> Healthy financial risk profile

BRAPL's financial risk profile remains healthy albeit moderate net worth. Gearing remains low and debt protection measures healthy. The net worth improved to Rs. 61.93 Cr as on March 31, 2022 (Prov.) as against Rs. 54.75 Cr as on March 31, 2021 and Rs. 47.73 Cr as on March 31, 2020, due to accretion of profits to reserves. BRAPL's gearing was nil as on March 31, 2022 (Prov.) as against 0.13 times as on March 31, 2021 and 0.44 times as on March 31, 2020. The company has followed a conservative financial leverage policy in the past, as reflected by its peak gearing of around 0.57 times as on March 31, 2018. The Company avails short term working capital facilities from bank, which as on March 31, 2022(Prov.) stood unutilised. Further, the modest revenue growth coupled with stable profitability levels has resulted in healthy net cash accruals of Rs. 8.18 Cr during 2021-22 (Prov.), while the debt levels have remained low during the same period, leading to healthy debt protection measures. The interest coverage ratio improved to 25.97 times in FY2022 (Prov.) as against 3.84 times in FY2021 and 3.27 times in FY2020.

Acuité expects BRAPL's financial risk profile to remain stable over the medium term in absence of any significant debt funded capex plan.

Weaknesses

> Working capital intensive nature of operations

BRAPL's operations are working capital intensive as reflected by Gross Current Assets (GCA) days which stood at 272 days as on March 31, 2022 (Prov.) as compared to 235 days as on March 31, 2021 and 226 days as on March 31, 2020. The GCA days are primarily driven by retention money and security deposits. The debtor and inventory days stood at 27 days and 53 days respectively as on March 31, 2022 (Prov.) as against 58 and 71 days respectively as on March 31, 2021 and 36 and 104 days respectively as on March 31, 2020. BRAPL's reliance on working capital borrowings is low, as the average utilisation ranged between 15-30 percent for last six months ended June ,2022. The creditor days stood at 89 days as on March 31, 2022 (Prov.) as against 124 days as on March 31, 2021 and 58 days as on March 31, 2020.

Acuité believes BRAPL's ability to improve working capital management efficiency will remain a key rating sensitivity.

> 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.

Rating Sensitivities

> Ability to significantly improve scale of operations while maintaining profitability margins

> Ability to improve working capital management efficiency

Material covenants

None

Liquidity Position: Strong

BRAPL has strong liquidity position marked by healthy net cash accruals against negligible maturing debt obligations and low reliance on working capital facilities. The company generated cash accruals of Rs. 7.13-8.18 Cr during the last three years through 2019 - 22 (Prov.). The cash accruals of the company are estimated to remain at around Rs. 9-11 Cr over the medium term. BRAPL's operations are moderately working capital intensive with GCA of 272 days as on March 31, 2022 (Prov.). The average bank limit utilisation of its fund based limits was low ranging between 15-30 percent for the last six months ended June, 2022. The Company maintains unencumbered cash and bank balances of Rs.0.15 Cr as on March 31, 2022 (Prov.). The current ratio of the company stood at 2.87 times as on March 31, 2022 (Prov.). Acuité believes that the liquidity of the company is expected to remain strong over the medium term on account of healthy cash accruals constrained to some extent by moderate working capital intensity of operations.

Outlook: Stable

Acuité believes that the outlook on BRAPL's rated facilities will remain stable 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	112.04	144.92
PAT	Rs. Cr.	7.04	7.34
PAT Margin	(%)	6.28	5.06
Total Debt/Tangible Net Worth	Times	0.13	0.44
PBDIT/Interest	Times	3.84	3.27

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Apr 2021	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	45.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	13.00	ACUITE BBB+ (Withdrawn)
	Proposed Bank Facility	Short Term	17.00	ACUITE A2 (Withdrawn)
03 Feb 2020	Proposed Cash Credit	Long Term	13.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	45.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	17.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
24 Apr 2019	Proposed Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	45.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (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 Bank Guarantee	Short Term	17.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+ Stable 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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