



Press Release
BHARAT RAIL AUTOMATIONS PRIVATE LIMITED
January 15, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative	-
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Total Withdrawn Quantum (Rs.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 revised from '**Stable**' to '**Negative**.'

Rationale for reaffirmation and revision in outlook.

The revision in outlook takes into account the stagnant operating performance of the company with declining operating margins over the years. However, the rating reaffirmation factors in the moderate financial risk profile of the company coupled with a healthy order book position with strong counterparty of Indian Railways which is expected to improve revenues over the medium term. The rating is however constrained by the intensive working capital operations, tender based nature of operations and competition in the industry.

About the Company

Bharat Rail Automation Private Limited (BRAPL) was established as a partnership firm by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia in the year 1986 and was converted to a Private Limited entity in 2004. Headquartered in Mumbai, the company is engaged in infrastructure projects of railways which includes installations of Railway Safety and signalling systems i.e., installation of SSI, Panel interlocking and Route Relay Interlocking, Automatic signalling etc. It is a Class-I signalling contractor.

Unsupported Rating

Not Applicable

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 with a healthy order book position

BRAPL is promoted by Mr. Bhupesh Dhabalia and Mr. Bharat Dhabalia who have experience of more than three decades in the industry. 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. As on December 31, 2024, BRAPL's unexecuted order book position stood at Rs. 545.36 Cr, which

provides a healthy revenue visibility over the medium term.

Acuité believes that long standing experience of the promoter and timely execution of the projects shall improve the revenue over the medium term.

Moderate Financial Risk Profile

BRAPL's financial risk profile is supported by moderate network, low gearing and comfortable debt protection metrics. The network of the company has been continuously growing as evident with balance of Rs. 61.07 Cr. on March 31, 2024 as against Rs. 54.95 Cr. on March 31, 2023, which has led to sustained level of TOL/TNW at 0.75 times as on March 31, 2024 as compare to 0.72 times in the previous year. The Debt- EBITDA levels; though increased due to rise in working capital borrowings, continue to remain moderate at 1.56 times on March 31, 2024 as against 1.31 times in the previous year. The gearing remains below unity at 0.26 times on March 31, 2024 as against 0.19 times on March 31, 2023.

The coverage indicators stand comfortable; with Interest Coverage Ratio (ICR) at 5.37 times and Debt Service Coverage Ratio (DSCR) at 4.27 times on March 31, 2024.

The financial risk profile of BRAPL is expected to remain moderate in the near term, in absence of any major debt funded capex plans.

Weaknesses

Modest scale of operations and range bound profitability margins

The scale of operations of BRAPL has remained modest, with a revenue of Rs. 122.89 Cr in FY24 as against Rs. 102.73 Cr in FY23 and Rs. 116.25 Cr in FY22. Further in 8M FY25, the company has recorded a revenue of Rs. 64.83 Cr and expected to achieve a revenue target in similar lines of FY24. The operating margins have deteriorated over the years with EBITDA margin of 7.17 percent in FY24 as against 6.42 percent in FY23 and 7.15 percent in FY22 due to rising input costs and absence of cost pass through clauses in majority of the contracts.

Acuite believes that the ability to improve the scale of operations and profitability levels while maintaining healthy capital structure will be a key rating sensitivity.

Working Capital Intensive operations

The operations of BRAPL are working capital intensive as evident from GCA of 235 days on March 31, 2024 as against 240 days on March 31, 2023. This is mainly attributable to increase in the inventory holding period from 93 days in as on March 31, 2024 as against 66 days on March 31, 2023. The debtors include pending receipts from Indian Railways. The debtor days though improved but remained high at 136 days as on March 31, 2024 as against 154 days on March 31, 2023. The creditor days stood at 129 as on March 31, 2024 as against 128 days on March 31, 2023. Therefore, restriction of further elongation in the working capital cycle will be 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

- Improvement in the scale of operations and profitability levels
- Restriction of further elongation in the working capital cycle
- Improvement in the financial risk profile

Liquidity Position

Adequate

The liquidity position of the company is adequate marked by adequate net cash accruals of Rs. 6.29 Cr in FY2024 against no repayment obligations. The current ratio stood at 2.51 times on March 31, 2024. The average bank limit utilisation of the company stood at 56.01 percent for eight months ended November 2024.

Acuité believes that the liquidity of the company is expected to remain adequate over the medium term.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	122.89	102.73
PAT	Rs. Cr.	6.12	4.71
PAT Margin	(%)	4.98	4.59
Total Debt/Tangible Net Worth	Times	0.26	0.19
PBDIT/Interest	Times	5.37	5.80

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, Acuité 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
18 Oct 2023	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
21 Jul 2022	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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