

Press Release
River Engineering Private Limited
 July 23, 2019
Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.40.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A3+ (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed a long term rating of '**ACUITE BBB** (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+** (read as **ACUITE A three plus**) on the Rs.32.00 crore bank facilities of River Engineering Private Limited (REPL). The outlook is '**Stable**'.

Further Acuité has assigned long term rating of '**ACUITE BBB** (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+** (read as **ACUITE A three plus**) on the Rs.8.00 crore bank facilities of River Engineering Private Limited (REPL). The outlook is '**Stable**'.

Incorporated in 2007, River Engineering Private Limited (REPL) is an Uttar Pradesh based company promoted by Dr. A. K. Agrawal and Mrs. Neera Agrawal. The company is engaged in manufacturing of high end precision engineering assemblies, components and magnetic parts. It has its manufacturing unit located in Greater Noida (Uttar Pradesh). REPL caters to Indian Railways and Metro, Aerospace and Defence sector.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and long track record

Incorporated in 2007, REPL is engaged in manufacturing of high end precision engineering assemblies, components and magnetic parts like tap changers, gear case, dampers, jumpers, aircraft components among others. The company is promoted by Dr. A. K. Agrawal and Mrs. Neera Agarwal. Dr. A. K. Agrawal has a vast experience of 30 years in engineering industry. Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with its customers like Indian Railways, Hindustan Aeronautics Limited, Barco Electronics Systems Private Limited and suppliers like Golden Dollar General Trading, Hylok Corporation among others.

• Moderate Financial Risk Profile

REPL has moderate financial risk profile marked by moderate net worth, moderate debt protection metrics and gearing. The net worth of the company stood at Rs.20.95 crore as on 31 March 2019 (Provisional) as against Rs.12.87 crore as on 31 March 2018. The gearing level (debt-equity) stood at 1.89 times as on 31 March 2019 (Provisional) as against 2.59 times as on 31 March 2018. The total debt of Rs.39.61 crore as on 31 March 2019 (Provisional) consists of long term debt of Rs.2.79 crore, unsecured loans of Rs.16.11 and working capital borrowings of Rs.20.72 crore. The moderate improvement in profitability levels has resulted in healthy net cash accruals of Rs.9.47 crore in FY2019 (Provisional) leading to healthy debt protection measures. The interest coverage ratio (ICR) stood at 3.47 times for FY2019 (Provisional) as against 3.76 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.24 times in FY2019 (Provisional) and 0.26 times in FY2018. Debt to EBITDA stood at 2.60 times in FY2019 (Provisional) as against 2.44 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain moderate backed by healthy net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

• Working Capital intensive nature of Operations

Operations of REPL are working capital intensive marked by Gross Current Asset (GCA) of 254 days in FY2019 (Provisional) as compared to 228 days in FY2018. This is on account of debtors collection period of 196 days in FY2019 (Provisional) as against 168 days in FY2018 and inventory holding period of 57 days in FY2019 (Provisional) as against 63 days in FY2018. However, current ratio of the company stood moderate at 1.40 times as on 31 March, 2019 (Provisional) as against 1.28 as on 31 March, 2018. Acuité believes that the working capital operations of REPL will continue to remain intensive on account of high level of debtor's collection period.

• Customer concentration risk

REPL faces high customer concentration risk. Its major customer, Indian Railways accounted for about 70-80 percent of its sales in the last three years. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

Liquidity Profile

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. REPL generated cash accruals of Rs.9.49 crore in FY2019 (Provisional) against debt obligations of Rs.1.47 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.9.92 crore to Rs.11.99 crore during FY2020-22 against repayment obligations from Rs.1.45 to Rs.1.34 crore during FY2020-21. The company's working capital operations are intensive marked by gross current asset (GCA) days of 254 days in FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.13 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.40 times as on 31 March 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that REPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while improving working capital cycle. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	113.25	103.55	83.14
EBITDA	Rs. Cr.	15.09	13.61	13.51
PAT	Rs. Cr.	4.47	3.41	3.13
EBITDA Margin	(%)	13.32	13.14	16.24
PAT Margin	(%)	3.95	3.29	3.77
ROCE	(%)	19.06	17.99	33.55
Total Debt/Tangible Net Worth	Times	1.89	2.59	5.59
PBDIT/Interest	Times	3.47	3.76	3.06
Total Debt/PBDIT	Times	2.60	2.44	2.83
Gross Current Assets (Days)	Days	254	228	184

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr)	Ratings/Outlook
06-Sep-18	Cash Credit	Long term	21.00	ACUITE BBB/ Stable (Assigned)
	Term loans	Long term	3.50	ACUITE BBB/ Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short term	7.50	ACUITE A3+ (Assigned)

*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	21.00	ACUITE BBB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.15	ACUITE BBB / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE BBB / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ (Reaffirmed and Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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