

Press Release

River Engineering Private Limited

January 10, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	5.00		ACUITE A3+ Assigned
Bank Ratings Loan	15.00		ACUITE A3+ Reaffirmed
Bank Ratings Loan	5.00	ACUITE BBB Stable Assigned	
Bank Ratings Loan	25.00	ACUITE BBB Stable Reaffirmed	
Total	50.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.40.00 crore bank facilities and assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.10.00 crore bank facilities of River Engineering Private Limited. The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation reflects sustained operations and profitability for FY2021, moderate financial risk profile, adequate liquidity position, extensive experience of promoters and reputed clientele. Also the rating factors in comfort derived by order book position of Rs. 102.15 Cr as on November 2021. Moreover, the firm has booked revenue of Rs. 47.60 Cr as on November 2021. On the contrary, the firm operates in working capital intensive and tender based industry.

About the Company

Uttar Pradesh based River Engineering Private Limited (REPL), was incorporated in 2007, by Mr. A.K. Agarwal and Mrs. Neera Agarwal. The company is engaged in manufacturing of high-end precision engineering assemblies, components and magnetic parts like tap changers, gear case, dampers, jumpers, couplers and aircraft components among others. The company has its manufacturing units located in Greater Noida. REPL caters to Indian Railways and Metro, Aerospace and Defense sector.

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of River Engineering Private Limited (REPL) for arriving at this rating.

Key Rating Drivers

Strengths

Experience Management and established market positions

REPL is promoted and managed by Mr. A.K. Agarwal and Mrs. Neera Agarwal, who have

around three decades of experience in the engineering industry and they been associated with the company since its inception. This has helped the company to establish a strong market position and maintain long-standing relations with its customers and customers. Acuité believes that the company will continue to derive benefit from its experienced management and established market position over the medium term.

Moderate financial risk profile

The company has healthy financial risk profile marked by strong net worth and healthy debt protection metrics. The company's net worth stood at Rs. 40.94 Cr as on 31st March 2021 as against Rs. 35.66 Cr as on 31st March 2020. There has been slight improvement in gearing levels (debt-to-equity) from 1.26 times as on March 31, 2020 to 1.18 times as on March 31, 2021. Further, the interest coverage ratio stood at 2.96 times for FY2021 as against 3.18 times in FY2020. Debt service coverage ratio stood low at 2.41 times in FY2021 as against 1.59 times in FY2020. Total outside liabilities to total net worth (TOL/TNW) stood at 1.81 times as on FY2021 vis-à-vis 2.18 times as on FY2020. Acuite believes the financial risk profile of the company will improve backed by no major debt-funded capital expenditure, repayment of existing debt and moderate net cash accruals.

Weaknesses

> Intensive working capital management

River Engineering operates in the working capital intensive nature of operations as evident from gross current assets (GCA) of 340 days for FY2021 from 355 days for FY2020. Inventory days of 149 days as on 31 March 2021 as against 184 days in the previous year. Further, debtors' days stood high at 196 days as on 31 March 2021. Debtor levels stand high as on balance sheet date as more than 40% of the total revenue for the entire financial year was achieved during Q4FY21. Further, the debtor position has improved in 1HFY2022. Also, Current Ratio stood at 1.50 times as on 31 March 2021.

> Operations in highly competitive industry

The company is engaged in engineering business and the particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the firm has to make a bid for such tenders on competitive prices; which may affect the profitability of the firm. However, this risk is mitigated to an extent as the promoters are operating in this industry for years

Rating Sensitivities

- > Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile
- > Slowdown in industry leading to inventory pile up.

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 8.44 crore for FY2021 as against Rs. 3.33 crore of repayment obligations for the same period. The company has unencumbered low cash and bank balances of Rs. 0.03 crore as on 31st March 2021. However, the company has maintained deposits with bank worth Rs. 3.53 Cr as margin money, Further, the fund-based working capital limits are utilized at an average of ~83.25 per cent in the last twelve months ending November 2021. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuité believes that REPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in

case of higher than expected growth in revenues, profitability while improving the working capital cycle and its capital structure. The outlook may be revised to 'Negative' in case of further decline in profitability or further stretch in working capital requirements deteriorating financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	82.87	77.84
PAT	Rs. Cr.	3.63	3.03
PAT Margin	(%)	4.38	3.90
Total Debt/Tangible Net Worth	Times	1.18	1.26
PBDIT/Interest	Times	2.96	3.19

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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
09 Oct 2020	Cash Credit	Long Term	21.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.59	ACUITE BBB Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	1.41	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
23 Jul 2019	Bank Guarantee	Short term	10.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	1.85	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.15	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	21.00	ACUITE BBB Stable (Reaffirmed)
	Bills Discounting	Short term	5.00	ACUITE A3+ (Assigned)
06 Sep 2018	Term Loan	Long Term	3.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	21.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.94	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.06	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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