

## Press Release

River Engineering Private Limited

December 15, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.60	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	40.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	67.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the 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.50.00 crore bank facilities and assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.17.60 crore bank facilities of River Engineering Private Limited. The outlook is 'Stable'.

#### Rationale for rating reaffirmation

The rating action reflects sustained operations and profitability for FY2022, healthy financial risk profile, adequate liquidity position, extensive experience of promoters and reputed clientele. Also the rating factors in comfort derived by healthy order book position. Moreover, the company has booked revenue of Rs. 44.54 Cr for six months ended September 2022. The rating is constrained by intensive working capital, tender based business and competitive 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 highend 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

#### Experienced 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 have 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.

#### Revenue and profitability

The company has reported operating income of Rs. 112.32 Cr in FY2022 as against Rs. 82.87 Cr in FY2021. The company has an order book of Rs. ~127 Cr. Additionally, the company is L1 on orders worth more than Rs.24.69 crore and also continuously bidding for new orders. EBITDA Margin improved minuscule and stood at 15.65% as against 14.44% in FY 2021 (now in line with FY 20) However, Net Profit margin stood at 4.35% in FY2022 as against 4.38% in FY2021.

#### Financial Risk Profile

The company has healthy financial risk profile which showed an improving trend in past three years marked by strong net worth and healthy debt protection metrics. The company's net worth stood at Rs. 46.25 Cr as on 31st March 2022 as against Rs. 40.94 Cr as on 31st March 2021. There has been slight improvement in gearing levels (debt-to-equity) from 1.18 times as on March 31, 2021 to 1.10 times as on March 31, 2022. Further, the interest coverage ratio moderated and stood at 2.92 times for FY2022 as against 2.96 times for FY2021 and Debt service coverage ratio also moderated and stood at 1.68 times in FY2022 as against 2.41 times in FY2021 further inspite the improved revenue and profitability the coverage indicators are expected to remain in the same range due to the ongoing capex plan of the company wherein the company will be onboarding additional debt to the tune of Rs. 4 cr. in FY23 and approximately the same amount in FY24 resulting into higher repayment obligations in coming years. Total outside liabilities to total net worth (TOL/TNW) stood at 1.77 times as on FY2022 vis-à-vis 1.81 times as on FY2021.

### Weaknesses

#### Intensive working capital management

River Engineering operates in the working capital intensive nature of operations as evident from gross current assets (GCA days) of 249 days for FY2022 (PY 340 days) and WCC improved yet higher and stood at 141 days in FY22 (FY21- 202 days, FY 20 – 31 Days). Inventory days of 86 days as on 31 March 2022 as against 137 days in the previous year. Further, debtors' days stood high at 160 days as on 31 March 2022. Debtor days stood high i.e. more than 43% of the total revenue. As per the business trend the majority of revenue is booked in the last quarter of the financial year which was 48% for FY22 hence the debtor days remained high at the year end however the same gets realized in the next quarter of the subsequent fiscal.

#### 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,  
Company's ability to improve the 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. 9.77 crore for FY2022 as against Rs. 4.22 crore of repayment obligations for the same period. The company has minimal unencumbered cash and bank balances of Rs. 0.07 crore as on 31st March 2022. However, the company has maintained deposits with bank worth Rs. 4.14 Cr as margin money, Further, the fund-based working capital limits are utilized at an average of ~65 per cent in the last twelve months ending October 2022. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements. Current Ratio stood at 1.50 times as on 31 March 2022

### **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 resulting into improved financial risk profile and liquidity position. The outlook may be revised to 'Negative' in case of lower than expected operating performance resulting into stretch in working capital requirements deterioration in financial risk profile and liquidity position.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	112.32	82.87
PAT	Rs. Cr.	4.89	3.63
PAT Margin	(%)	4.35	4.38
Total Debt/Tangible Net Worth	Times	1.10	1.18
PBDIT/Interest	Times	2.92	2.96

### **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>
- Entities In Manufacturing Sector:- <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**

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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Jan 2022	Term Loan	Long Term	0.06	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.94	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	21.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Reaffirmed)
09 Oct 2020	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	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)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.40	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.60	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.60	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.00	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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