

Press Release

Rahee Infratech Limited

January 14, 2019



Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 249.50 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 249.50 crore bank facilities of Rahee Infratech Limited (RIL). The outlook is '**Stable**'.

Established in 1948 as a partnership firm under the name M/s Ramchander Heeralall, the firm was reconstituted as a limited company in 1998 with the name being changed to Rahee Infratech Limited. Since inception, the company was engaged in supplying fasteners to Indian railways. Over the years, the company forayed into supply of turnout, flash butt welding and from 2006, the company started civil works for Indian Railways such as construction of bridges; which is currently the highest revenue generating segment for the company. Currently, the operations are managed by the Khaitan family of Kolkata led by Mr. Pradeep Khaitan.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of RIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Established in 1948, the company has a long track record of seven decades in the business. The long track record and the experience of the management have helped the company to establish itself among the major players to supply diversified items to Indian Railways.

- **Comfortable financial risk profile**

The comfortable financial risk profile is marked by healthy net worth, comfortable gearing and modest debt protection measures. The net worth stood at Rs.103.27 crore as on 31 March, 2018 as against Rs.97.34 crore in the previous year. The gearing (debt to equity) stood at 0.94 times as on 31 March, 2018 compared to 1.04 times in the previous year. The total debt of Rs.96.75 crore as on 31 March, 2018 consists of term loan of Rs.1.14 crore and Rs.95.61 crore of working capital facility. The interest coverage ratio (ICR) improved to 1.79 times in FY2018 as against 1.64 times in FY2017. DSCR stood at 1.55 times in FY2018 compared to 1.36 times in FY2017. Moreover, NCA/TD stood at 0.13 times in FY2018. Going forward, Acuité expects the financial risk profile to remain comfortable without any significant deviation from the current level in the absence of any significant debt funded capex plan over the medium term.

- **Healthy revenue and order book position**

RIL registered revenue of Rs.334.58 crore in FY2018 as compare to Rs.319.50 crore in FY2017. During the current year, the company clocked revenue of Rs.160.63 crore till September 2018 (Provisional). Going forward, Acuité expects the topline to remain healthy with orders in hand of ~Rs.725.00 crore as on 30 September, 2018.

Weaknesses

• Working capital intensive nature of operations

The operations are working capital intensive in nature marked by Gross Current Assets (GCA) of 248 days as on 31 March, 2018 as compare to 278 days in the previous year. The high GCA days are primarily on account of the high inventory days and debtor days. The inventory days stood at 154 days as on 31 March, 2018 as compare to 156 days in the previous year. The high inventory is due to Rs.72.27 crore unbilled revenue as on 31 March, 2018 as against Rs.74.48 crore in the previous year owing to delay in certifications of bills for the projects. The high debtor days are on account of retention money and security deposits which are released after 6-12 months from the project completion. Further, the working capital intensity is reflected from full utilisation of its fund based limit. Moreover, the non-fund based limit was utilised to the extent 98 percent for the six month ended November 2018. Going forward, the ability of the company to raise additional resources for bidding new projects will remain a key rating sensitivity.

• Tender based business

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. The company has to do tendering on competitive prices; this may affect the profitability of the company.

Outlook: Stable

Acuité believes that the outlook on RIL will remain 'Stable' over the medium term on account of the management's experience and long track record of operations. The outlook may be revised to 'Positive' in case of the company's ability to increase its scale of operations and profitability and improvement in the working capital intensity. The outlook may be revised to 'Negative' in case the company fails to increase its scale of operations or deterioration in the profitability and any deterioration in the financial risk profile would lead to 'Negative' outlook.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 334.58 | 319.50 | 287.33 |
| EBITDA | Rs. Cr. | 34.67 | 34.29 | 37.06 |
| PAT | Rs. Cr. | 6.28 | 4.90 | 5.03 |
| EBITDA Margin | (%) | 10.36 | 10.73 | 12.90 |
| PAT Margin | (%) | 1.88 | 1.53 | 1.75 |
| ROCE | (%) | 15.12 | 14.65 | 31.42 |
| Total Debt/Tangible Net Worth | Times | 0.94 | 1.04 | 1.18 |
| PBDIT/Interest | Times | 1.79 | 1.64 | 1.70 |
| Total Debt/PBDIT | Times | 2.61 | 2.82 | 2.79 |
| Gross Current Assets (Days) | Days | 215 | 240 | 254 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 40.00 | ACUITE BB- / Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE BB- / Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 13.00 | ACUITE BB- / Stable (Assigned) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 95.00 | ACUITE A4 (Assigned) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 34.00 | ACUITE A4 (Assigned) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 47.50 | ACUITE A4 (Assigned) |

Contacts:

| Analytical | Rating Desk |
|--|---|
| Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuite.ratings.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuité Ratings & Research:

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