

## Press Release

### Rahee Infratech Limited

March 01, 2021

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 249.50 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Upgraded)
<b>Short Term Rating</b>	ACUITE A3 (Upgraded)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.249.50 crore bank facilities of Rahee Infratech Limited (RIL). The outlook is '**Stable**'.

The rating upgrade is on account of consistent improvement in the revenue and financial risk profile of the company along with improvement in working capital management. The rating also factors in the comfortable financial risk profile of the entity. The revenue of the company has improved to Rs.444.10 crore in FY2020 as compared to Rs.325.11 crore in the previous year. The company has reported sales of Rs.300.00 crore till 31st January 2021 (Provisional). The working capital operations of the company are marked by significant improvement in Gross Current Asset (GCA) days to 151 days in FY2020 as compared to 223 days in the previous year. The financial risk profile of the company is characterised by improving network, low gearing and healthy debt protection metrics.

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. It is located in Howrah, West Bengal.

#### **Analytical Approach:**

Acuite has considered the standalone business and financial risk profile of RIL while arriving at the rating.

#### **Key Rating Drivers:**

##### **Strengths**

#### **Established track record of operation and experienced management**

Established in 1948 as a partnership firm M/s Ramchander Heeralall, and then reconstituted as a public limited company in 1998- the company has a long track record of seven decades in the business. The promoter of the company Mr. Pradeep Khaitan, Mr. Ravi Khaitan, Mr. Pawan Khaitan possesses more two decades of experience in the business of civil construction and railway fasteners industry. The company has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

#### **Healthy financial risk profile**

The financial risk profile of the company is marked by healthy net worth, low gearing and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.119.48 crore in FY 2020 as compared to Rs. 110.42 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.76 times as on March 31, 2020 when compared to 0.91 times as on March 31, 2019. This improvement in gearing is mainly on account of lower utilization of short term debt and improvement in networth of the company during the period. Interest coverage ratio (ICR) is comfortable and stood 2.19 times in FY2020 as against 2.10 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 1.67 times in FY2020 as compared to 1.78 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.17 times in FY2020 as compared to 0.14 times in

the previous year. Going forward, Acuite believes the financial risk profile of the group will remain healthy backed by no major debt funded capital expenditure plan over the medium term along with steady cash accruals.

### **Healthy scale of operation coupled with comfortable profitability margin**

The turnover levels of the company stood healthy at Rs.444.10 crore in FY2020 as compared to Rs.325.11 crore in the previous year. This improvement in revenue of the company is mainly on account of higher work order execution during the period. Currently, the company has achieved a revenue of Rs.300.00 crore till 31st January in current fiscal (Prov.). The company has healthy unexecuted order book of Rs.812.19 crore as on 31st January, 2021. Acuite believes that the healthy and diversified order book of the company provides strong revenue visibility over the near term.

Though the operating profitability margin of the company have declined but still stood comfortable at 8.32 per cent in FY2020 as compared to 11.11 per cent in the previous year. This deterioration in operating profitability margin is on account of increase in material cost along with increase in labour cost during the period. The net profitability margin of the company stood comfortable at 2.15 per cent in FY2020 as compared to 2.30 per cent in the previous year. Acuite believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by the management's focus on the bottom line and bid in projects accordingly.

### **Weaknesses**

#### **Working capital intensive nature of operation**

The working capital intensive nature of operation of the company is marked by high Gross Current Asset (GCA) days of 151 days in FY2020 as compared to 223 days in the previous year. However, this improvement in GCA days is on account of significant improvement in work-in-progress inventory during the period. The inventory days has improved and stood moderate at 54 days in FY2020 as compared to 137 days in the previous year. The debtor days of the company has also stood moderate at 56 days in FY2020 as compared to 66 days in the previous year. Moreover, the high GCA days are also from the high other current assets of Rs.51.49 crore in FY2020, which mainly consists of advance to vendors, sales tax receivables, and balance with authorities, among others. Acuite believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

#### **Rating Sensitivity**

- Ramp up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

#### **Material Covenant**

None

#### **Liquidity Position: Adequate**

The company has adequate liquidity marked by healthy net cash accruals of Rs.15.43 crore as against Rs.2.85 crore long term debt obligations in FY2020. The cash accruals of the company are estimated to remain in the range of around Rs. 19.56 crore to Rs. 24.75 crore during 2021-23 as against Rs. 2.85 crore of long term debt obligations in FY2021, and Rs.1.36 crore of long term obligations in FY2022. Further, the liquidity of the company is also strengthened by the unencumbered cash of Rs.3.98 crore as on 31st March 2020. The current ratio of the company stood moderate at 1.18 times in FY2020. However, the working capital management of the company is marked by Gross Current Asset (GCA) days of 151 days in FY2020. The working capital limit of the company has been ~90 percent utilized during the last six months ended in January 2021. Moreover, the company has not availed the covid emergency fund and neither availed the loan moratorium till August 2020. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

#### **Outlook: Stable**

Acuite believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers along with healthy financial risk profile. The outlook may be revised to "Positive" in case the company registers significant improvement in scale of operations while sustaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of further elongation of the

working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	444.10	325.11
PAT	Rs. Cr.	9.53	7.48
PAT Margin	(%)	2.15	2.30
Total Debt/Tangible Net Worth	Times	0.76	0.91
PBDIT/Interest	Times	2.19	2.10

### 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>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
05-Feb-2020	Cash Credit	Long Term	40.00	ACUITE BB+/Stable (Upgraded)
	Cash Credit	Long Term	20.00	ACUITE BB+/Stable (Upgraded)
	Cash Credit	Long Term	13.00	ACUITE BB+/Stable (Upgraded)
	Bank Guarantee	Short Term	95.00	ACUITE A4+ (Upgraded)
	Bank Guarantee	Short Term	34.00	ACUITE A4+ (Upgraded)
	Bank Guarantee	Short Term	47.50	ACUITE A4+ (Upgraded)
14-Jan-2019	Cash Credit	Long Term	40.00	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	95.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	34.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	47.50	ACUITE A4 (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	40.00	ACUITE BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	95.00*	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	47.50	ACUITE A3 (Upgraded)

\*One way inter-changeability of Rs.16.75 crore from BG to CC

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**About Acuite Ratings & Research:**

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