Press Release

Rahee Track Technologies Private Limited

August 08, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 87.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs.87.00 crore of bank facilities of Rahee Track Technologies Private Limited (RTPL). The outlook is **'Stable'**.

Rahee Track Technologies Private Limited (RTPL) was incorporated in 2002 as 'Shalimar Fastenings Private Limited' by Mr. Pradeep Khaitan and Mr. Pawan Khaitan. In 2005, the company was renamed as Rahee Track Technologies Private Limited (RTPL) and engaged in manufacturing of turnout, rail expansion joints and glued insulated joints. They have manufacturing facilities in Kolkata and Hyderabad. RTPL was taken over by the Rahee Group in June 2011 and holds 51% of stake. Rahee Infratech Limited (Acuité BB-/Stable/A4), the flagship company of the Rahee Group, involved in construction of bridges for the Indian Railways, holds a 53.98% stake in RTPL.

Analytical Approach:

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

Key Rating Drivers:

Strengths

Experienced management

RTPL, a Kolkata based company was incorporated in 2002 and promoted by Mr. Pradeep Khaitan, Mr. Pawan Khaitan and Mr. Rahul Khaitan, who possess more than two decades of experience in manufacturing of turnout, rail expansion joints and glued insulated joints.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.38.62 crore in FY2019 (Prov.) as compared to Rs.31.54 crore in FY2018, mainly due to retention of annual profit. The gearing of the company stood comfortable at 0.60 times as on March 31, 2019 (Prov.) when compared to 0.84 times as on March 31, 2018. The total debt of Rs.23.30 crore consist of long term debt of Rs. 7.64 crore and short term debt of Rs.15.66 crore. The interest coverage ratio (ICR)stood healthy at 4.61 times in FY 2019 (Prov.) as against 4.35 times in FY 2018. The debt service coverage ratio stood comfortable at 2.51 times in FY2019 (Prov.) as against of 2.99 times in FY2018. The net cash accruals against total debt stood comfortable at 0.43 times in FY2019 (Prov.) as compared to 0.20 times in the previous year.

Improving revenue and moderate profitability

The company has registered healthy growth in revenues of around 110 per cent in FY2019 (Prov.). Revenues for FY2019 (Prov.) stood at Rs. 110.70 crore as against Rs. 51.40 crore in FY2018. This increase in revenue is mainly on account of increase in the order book as well as increase in current capacity. RTPL's margins have declined during FY2019 (Prov.) to 14.45 per cent from 16.39 per cent in the previous year on account of increase in raw material prices. Though the scale of operations have reported a compound annual growth rate of about 45.93 per cent over the past two years through FY2019 (Prov.); however, its operating profitability is marginally deteriorating mainly owing to fluctuating raw material prices. Going forward, Acuité believes that the profitability margins will improve marginally over the medium term backed by expected economies of scale of operations. The net profitability margin also stood comfortable at 6.39 per cent in FY2019 (Prov.) as compared to 7.02 per cent in the previous year.

Weaknesses

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 143 days in 2019 (Prov.), declined from 403 days in 2018. These high GCA days emanate from relatively high inventory holding period of 73 days in FY2019 (Prov.) as compared to 314 days in FY18. This high GCA of the company is also due to high other current asset of Rs.13.89 crore, mainly consisting of advance tax of Rs. 3.08 crore, advance to supplier of Rs.6.10 crore and statutory deposits of Rs.4.09 crore. The company's operations are expected to remain working capital intensive, as the company is engaged in manufacturing turnout, rail expansion joints and glued insulated joints, which lead to an inventory holding period of around 70-80 days in order to meet the requirement of their regular customers.

Exposure to foreign exchange rate fluctuation

Around 54% of the company's revenue was derived from exports in FY2019 (Prov.). This exposes it to the risk of fluctuation in foreign exchange rates. However, it enjoys a partial hedge due to foreign currency derivative exposure.

Liquidity Position:

The company has adequate liquidity marked by healthy net cash accruals of Rs.10.00 crore as against Rs.2.12 crore of long term debt obligation. The nature of operation of the company is working capital intensive reflected by high gross current asset (GCA) days of 143 in FY 2019 (Prov.). This has led to high reliance on working capital borrowings, the working capital limit in the company remains utilised at 85-90 percent during the last 6 months period ended June 2019. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of adequate cash accrual against long term debt obligation over the medium term.

Outlook: Stable

Acuité believes RTPL will continue maintain 'Stable' over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	110.70	51.40	51.98
EBITDA	Rs. Cr.	15.99	8.42	8.45
PAT	Rs. Cr.	7.07	3.61	3.03
EBITDA Margin	(%)	14.45	16.39	16.26
PAT Margin	(%)	6.39	7.02	5.84
ROCE	(%)	22.22	13.84	31.11
Total Debt/Tangible Net Worth	Times	0.60	0.84	0.57
PBDIT/Interest	Times	4.61	4.35	3.85
Total Debt/PBDIT	Times	1.42	2.99	1.79
Gross Current Assets (Days)	Days	143	403	209

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)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB-/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.50	ACUITE A3 (Assigned)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Assigned)

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