

Press Release

Rahee Track Technologies Private Limited

October 21, 2020

Rating Reaffirmed & Assigned



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

* Refer Annexure for details

Rating Rationale

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

Rahee Track Technologies Private Limited (RTTPL) 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 (RTTPL) and was engaged in manufacturing of turnout, rail expansion joints and glued insulated joints. The company has manufacturing facilities in Kolkata and Hyderabad. RTPPL was taken over by the Rahee Group in June 2011. Rahee Infratech Limited (Acuité BB+/Stable/A4), the flagship company of the Rahee Group, involved in the construction of bridges for the Indian Railways, holds a 53.98 percent stake in RTPPL.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of RTPPL while arriving at the rating.

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

The promoters of the company Mr. Pradeep Khaitan, Mr. Rahul Khaitan and Mr. Pawan Khaitan possess more than two decades of experience in the 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. Acuité believes that the company will continue to benefit from its promoters' extensive industry experience and established relationship with customers over the medium term.

Healthy financial risk profile

The financial risk profile of the company is marked by modest net worth, low gearing and healthy debt protection metrics. The net worth of the company stood healthy at Rs.42.93 crore in FY 2020 (Prov.) as compared to Rs 38.55 crore in FY2019. The gearing of the company stood low at 0.64 times as on March 31, 2020 (Prov.) when compared to 0.60 times as on March 31, 2019. The total debt of Rs.27.47 crore in FY2020 (Prov.) consists of short term debt of Rs. 17.44 crore and long term debt of Rs.10.03 crore as on 31st March 2020 (Prov.). Interest coverage ratio (ICR) is healthy and stood at 3.55 times in FY2020 (Prov.) as against 4.52 times in FY 2019. The debt service coverage ratio (DSCR) stood comfortable at 2.01 times in FY2020 (Prov.) as compared to 2.50 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.27 times in FY2020 (Prov.) as compared to 0.43 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account steady cash accruals and no major debt-funded capex plan.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 231 days in FY2020 (Prov.) as compared to 136 days in FY2019. The GCA days of the company has increased on account of a significant increase in receivables and inventory to 118 days and 116 days in FY2020 (Prov.)

respectively as against of 45 days and 68 days respectively in the previous year. This increase in debtor days and inventory days is mainly due to receivables and inventory during the year-end, which coincided with the nation-wide lockdown.

Moderate scale of operation

The revenue of the company stood moderate at Rs.94.74 crore in FY2020 (Prov.) as compared to Rs.118.00 crore in the previous year. This deterioration in revenue is on account of a significant decline in operation during the last quarter of FY20 (Prov.) due to the outbreak of Covid-19 pandemic. The company has earned Rs.30.30 crore till 30th September 2020 (Provisional).

Rating Sensitivity

- Working capital management
- Sustenance of their conservative capital structure

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals of Rs.7.29 crore as against Rs.2.79 long term debt obligations in FY2020 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 8.31 crore to Rs. 13.99 crore during 2021-23 against Rs. 3.62 crore in FY2022 and Rs.4.46 crore in FY2023 of long term debt obligation. The working capital management of the company is marked by Gross Current Asset (GCA) days of 366 days in FY2020 (Prov.). The bank limit of the company has been only ~ 93 percent utilized during the last six months ended in Sep 2020. Further, the liquidity of the company is also strengthened by the unencumbered cash of Rs.0.52 crore in FY20 (Prov.). The current ratio of the company stood moderate at 1.38 times in FY2020 (Prov.). Moreover, the company has availed the loan moratorium till Aug 2020 for Term Loan. The company has also been sanctioned with COVID emergency fund of Rs.5.00 crore. The said loan is to be repaid over a period of 4 years, including 1 year of moratorium. Hence, Acuité believes that this short term funding will further ease the liquidity position of the company. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that company's business risk profile is expected to remain 'Stable' on the back of extensive promoters' experience in the railway fasteners industry and healthy financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected improvement in accruals while sustaining their liquidity position. Further, the outlook may be revised to 'Negative' in case of a sharp decline in accruals or deterioration in financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY20 (Prov.) | FY19 (Actual) |
|-------------------------------|---------|--------------|---------------|
| Operating Income | Rs. Cr. | 94.74 | 118.00 |
| PAT | Rs. Cr. | 4.38 | 7.00 |
| PAT Margin | (%) | 4.63 | 5.94 |
| Total Debt/Tangible Net Worth | Times | 0.64 | 0.60 |
| PBDIT/Interest | Times | 3.55 | 4.52 |

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

Not Applicable

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>
- 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 |
|-------------|---------------------------------|------------|------------------|-------------------------------|
| 08-Aug-2019 | Cash Credit | Long Term | 10.00 | ACUITE BBB-/Stable (Assigned) |
| | Term Loan | Long Term | 8.50 | ACUITE BBB-/Stable (Assigned) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB-/Stable (Assigned) |
| | Proposed Long Term | Long Term | 4.50 | ACUITE BBB-/Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 4.00 | ACUITE BBB-/Stable (Assigned) |
| | Bank Guarantee | Short Term | 35.50 | ACUITE A3 (Assigned) |
| | Proposed Short Term | Short Term | 1.50 | ACUITE A3 (Assigned) |
| | Proposed Bank Guarantee | Short Term | 10.00 | ACUITE A3 (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 | 14.00 | ACUITE BBB-/Stable (Reaffirmed) |
| Term Loan I | April 2017 | 12.10% | March 2023 | 6.55 | ACUITE BBB-/Stable (Reaffirmed) |
| Term Loan II | September 2019 | 11.90% | March 2025 | 3.60 | ACUITE BBB-/Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 13.00 | ACUITE BBB-/Stable (Reaffirmed) |
| Proposed Long Term | Not Applicable | Not Applicable | Not Applicable | 4.35 | ACUITE BBB-/Stable (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 35.50 | ACUITE A3 (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A3 (Reaffirmed) |

Contacts:

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About Acuité Ratings & Research:

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