

**Press Release**  
**Stesalit Limited**  
**March 14, 2024**



**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	47.01	ACUITE BBB+   Stable   Upgraded	-
Bank Loan Ratings	10.00	-	ACUITE A2   Assigned
Bank Loan Ratings	8.00	-	ACUITE A2   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	70.01	-	-

**Rating Rationale**

Acuité has upgraded the long-term rating from ‘**ACUITE BBB-**’ (read as **ACUITE triple B Minus**) to ‘**ACUITE BBB+**’ (read as **ACUITE triple B Plus**) and the short-term rating from ‘**ACUITE A3**’ (read as **ACUITE A three**) to ‘**ACUITE A2**’ (read as **ACUITE A Two**) on the Rs. 55.01 crore bank facilities of Stesalit Limited (SL). The outlook is ‘**Stable**’

Further Acuite has assigned the long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B Plus**) and the short-term rating of ‘**ACUITE A2**’ (read as **ACUITE A Two**) on the Rs. 15 crore bank facilities of Stesalit Limited (SL). The outlook is ‘**Stable**’

**Rationale for upgrade**

The rating action takes into account improved operating income, healthy financial risk profile and adequate liquidity Position. Group reported growth in revenue from operations by ~41% in FY2023 to Rs 301.66 crore as against Rs. 213.45 crore for FY2022. (overall ~117 percent from FY 21 to FY 23). Group reported operating income of Rs ~226 crore (including interparty transactions) in 9M of FY 24. EBITDA of the group improved to Rs 32.03 crore in FY 23 from Rs 23.73 crore in FY 22. Net Profit margin of the group improved by 142 bps and stood at 5.06 percent in FY2023 as against 3.64 percent in FY 22. NCA Margin in FY 23 improved by 72 bps and stood at 7.32 percent in FY 23 as against 6.60 percent in FY 22

Financial risk profile of the group remains healthy on account of healthy net worth, comfortable gearing and coverage indicators. The Total Tangible net worth stood at Rs. 104.14 Cr. as on 31st March 2023 as against Rs. 90.45 Cr. a year earlier. Interest coverage ratio improved by 75 bps and stood comfortable at 3.32 times for FY2023 as against 2.57 times in FY2022. Likewise, Debt Service coverage ratio increased by 39 bps and stood at 2.05 times for FY2023 as against 1.66 times in FY2022.

Acuité believes that the Company’s ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

**About Company**

Himachal-based, Stesalit Limited (SL) was incorporated in 1981 is engaged in the

manufacturing of products for Electric and Diesel Locomotives, Coaches, EMUs and Metro such as Transformers, Smoothing Reactors, Traction Motors, Coils, Alternator Mounted

Rectifier, HVAC, Control Panels etc. Though the company is operational since 1981 it was taken over by new management in November, 2018 as it was under a resolution plan in National Company Law Tribunal (NCLT). Currently company is managed by REPL's Management. Company is being managed by professional directors such as Mr. Pawan Ahuja, Mr. Rajat Kumar Sharma and Rajeev Kumar Singhal.

### About the Group

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 Defence sector.

REPL and SL together referred as River Group.

### Unsupported Rating

Not Applicable

### Analytical Approach

#### Extent of Consolidation

- Full Consolidation

#### Rationale for Consolidation or Parent / Group / Govt. Support

Earlier Acuite has considered **Standalone** Business and Financial Risk Profile of the **SL** to arrive at rating.

Now Acuite has changed the analytical approach from **standalone to consolidation**. Acuite has consolidated the business and financial risk profile of REPL and SL. Consolidation is on account of **common management, business and financial linkages**.

### Key Rating Drivers

#### Strengths

##### Experienced Management and established market positions

River Group 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 been associated with the company since its inception. This has helped the group to establish a strong market position and maintain long-standing relations with its customers and customers. Acuite believes that the company will continue to derive benefit from its experienced management and established market position over the medium term.

#### Business risk profile

River Group's operation witnessed improvement which is apparent from growth in revenue from operations by ~41% in FY2023 to 301.66 crore as against Rs. 213.45 crore for FY2022. The operating profit margin of the group stood at 10.62% in FY2023 as against 11.12% in FY2022. Net Profit margin of the group improved by 142 bps and stood at 5.06 percent in FY2023 as against 3.64 percent in FY 22. NCA Margin in FY 23 improved by 72 bps and stood at 7.32 percent in FY 23 as against 6.60 percent in FY 22. ROCE of the group stood at 16.62 times in FY2023.

Group has achieved the operating income of Rs ~225 crore (including interparty transactions) in 9M FY 24. Group is expected to achieve the operating income of Rs 360 to 370 crore in FY24. Group reported Operating margin ~11 percent in 9M FY 24.

#### Healthy Financial Risk Profile

The group has healthy financial risk profile marked by healthy net worth, comfortable gearing

and coverage indicators. The Total Tangible net worth stood at Rs. 104.14 Cr as on 31st March 2023 as against Rs. 90.45 Cr a year earlier.

Group follows conservative leverage policy. Debt to Equity ratio witnessed minuscule increase of 15 bps and stood at 0.94 times in FY 2023 as against 0.79 times in FY 22. Increase in gearing is on account increase in short term debt on year end.

Further, the interest coverage ratio improved by 75 bps and stood comfortable at 3.32 times for FY2023 as against 2.57 times in FY2022. Likewise, Debt Service coverage ratio increased by 39 bps and stood at 2.05 times for FY2023 as against 1.66 times in FY2022. Improvement in coverage ratio is on account of improvement in operating income and profitability

Total outside liabilities to total net worth (TOL/TNW) stood at 1.50 times as on FY2023 vis-à-vis 1.31 times as on FY2022. Debt-EBITA decreased and stood at 2.75 times as on 31st March 2023 as against 2.70 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.23 times as on FY2023 and 0.20 times for FY2022.

### **Weaknesses**

#### **Operations in highly competitive industry**

The group 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.

#### **Working capital operations- High**

Group has high working capital requirements as evident from gross current assets (GCA) of 238 days in FY2023 as compared to 244 days in FY2022. Intensiveness of Working capital is on account of High Inventory and Receivable Days. Debtor days stood at 142 days in FY2023 as against 144 days in FY 22. Inventory days stood same as in last year at 91 days in FY 23

Debtor days are high as group reports higher operating income in last quarter of FY. Group reported ~41 percent of the total operating income in last quarter of FY 23. Higher revenue in last quarter resulted in higher debtor and debtor days which gets normalise from high to moderate in next quarter i.e. First quarter of next fiscal.

#### **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.

#### **Liquidity Position**

##### **Adequate**

Group has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 22.09 crore for FY2023 as against debt repayment obligations of Rs. 5.30 crores for the same period. Current Ratio stood at 1.47 times as on 31 March 2023 as against 1.53 times in the previous year. Working capital limits are utilized at ~ 64 per cent during the last twelve months ended Dec 23 accordingly group has cushion available in working capital limits to meet the contingencies. Cash and Bank Balances of group stood at Rs 0.93 crores. The liquidity of the group is expected to improve with group expected to generate cash accruals in the range of Rs. 27 to 32 Cr. with debt obligation of Rs ~7 crore will also support the liquidity of the company.

#### **Outlook: Stable**

Acuité believes that River Group'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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	301.66	213.45
PAT	Rs. Cr.	15.26	7.77
PAT Margin	(%)	5.06	3.64
Total Debt/Tangible Net Worth	Times	0.94	0.79
PBDIT/Interest	Times	3.32	2.57

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite 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
24 Feb 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.01	ACUITE BBB-   Stable (Assigned)
	Stand By Line of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
15 Dec 2022	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB-   Stable (Reaffirmed)
	Stand By Line of Credit	Short Term	3.00	ACUITE A3 (Assigned)
25 Feb 2022	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
24 Aug 2021	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2   Upgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	42.00	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2027	Simple	4.03	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.98	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A2   Upgraded ( from ACUITE A3 )
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Sep 2028	Simple	5.00	ACUITE BBB+   Stable   Assigned

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Stesalit Limited

River Engineering Private Limited



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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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