



Press Release
STESALIT LIMITED
January 16, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.16	ACUITE BBB+ Positive Assigned	-
Bank Loan Ratings	55.01	ACUITE BBB+ Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	15.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	94.17	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to **'ACUITE BBB+' (read as ACUITE triple B Plus)** and the short-term rating from **'ACUITE A2' (read as ACUITE A Two)** on the Rs. 70.01 crore bank facilities of Stesalit Limited (SL). The outlook is revised from **'Stable'** to **'Positive'**.

Further Acuite has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B Plus)** on the Rs. 24.16 crore bank facilities of Stesalit Limited (SL). The outlook is **'Positive'**.

Rationale for rating

The revision of outlook takes into account continued improvement in operating income, healthy order book, healthy financial risk profile and strong liquidity position. Group reported growth in revenue from operations by ~30% in FY2024 to Rs 390.93 crore as against Rs. 301.66 crore for FY2023. Group has achieved the operating income of Rs ~260.49 crore in 9M FY 25. EBITDA of the group improved to Rs 47.44 crore in FY 24 from Rs 32.03 crore in FY 23. The order book of the group is Rs. ~402.27 crore as on Dec 2024 and provides revenue visibility over near to medium term. Acuite 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 the 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

Acuite has considered consolidated approach of 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 have 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.

Improvement in Revenue and Profitability

River Group's operation witnessed improvement which is apparent from growth in revenue from operations by ~30% in FY2024 to Rs. 390.93 Cr. as against Rs. 301.66 crore for FY2023. The operating profit margin of the group stood at 12.14% in FY2024 as against 10.62% in FY2023 due to increase in demand in railway sector and group has strategic alliance for Technology with various companies like AluTec GmbH from Germany, KAA Assemblies Ltd. from Israel, Barco NV from Belgium and many more. Net Profit margin of the group stood at 7.05 percent in FY2024 as against 5.06 percent in FY23. Group has achieved the operating income of Rs ~260.49 crore in 9M FY 25. The order book of the group is Rs. ~402.27 crore as on Dec 2024 and provides revenue visibility over near to medium term.

Acuite believes that group is expected to continue to report increase in scale of operations in near to medium term with stable operating and PAT margin.

Healthy Financial Risk Profile

Group has healthy financial risk profile marked by healthy net worth, gearing and debt protection metrics. Tangible adjusted net worth in FY 2024 stood at Rs. 117.53 Cr. as against Rs. 91.11 Cr. in FY 2023. The increase in the networth is due to accumulation of profits into reserves. Total debt of the group stood at Rs. 111.53 Cr. in FY 2024 against Rs. 97.52 Cr. in FY 2023. Gearing has remained healthy at 0.95 times in FY24 as against 1.07 times in FY23. Interest coverage ratio remained comfortable at 4.42 times in FY24 against 3.32 times in FY23. Likewise, DSCR also remained comfortable at 2.70 times in FY24 against 2.05 times in FY23. DEBT EBITDA position of the company has seen improved from 2.75 times in FY23 to 2.25 times in FY24. Acuite believes that the financial risk profile of the company will remain healthy in near to medium term.

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.

Intensive Working Capital Operations

Group has high working capital requirements as evident from gross current assets (GCA) of 233 days in FY2024 as compared to 243 days in FY2023. Intensiveness of Working capital is on account of High Inventory and Receivable Days. Debtor days stood at 149 days in FY2024 as against 150 days in FY2023. Inventory days stood same as in last year at 80 days in FY 24. Debtor days are appearing high on year end as group reports higher operating income in last quarter of financial year. Higher revenue in last quarter resulted in higher debtor and debtor days which gets normalise from intensive to moderate in next quarter i.e. First quarter of next FY. Whereas, creditor days stood at from 116 days in FY 2024 against 101 days in FY 2023. Acuite believes that the operations of the group will continue to remain working capital intensive over the medium term due to nature of operations.

Rating Sensitivities

- Movement in operational performance of the group
- Movement in financial risk profile
- Movement in working capital operation

Liquidity Position

Strong

Group has strong liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 33.91 crore for FY2024 as against debt repayment obligations of Rs. 5.52 crore for the same period. Current Ratio stood at 1.35 times as on 31 March 2024 as against 1.42 times as on 31st March 2023. Working capital limits are utilized at ~ 76.74 per cent during the last twelve months ended Oct 24 accordingly group has cushion available in working capital limits to meet the contingencies. Cash and Bank Balances of group stood at Rs 1.01 crore. Acuité believes that the liquidity position of the group will remain adequate on account of healthy net cash accruals against matured debt obligations over the medium term.

Outlook: Positive**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	390.93	301.66
PAT	Rs. Cr.	27.57	15.26
PAT Margin	(%)	7.05	5.06
Total Debt/Tangible Net Worth	Times	0.95	1.07
PBDIT/Interest	Times	4.42	3.32

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Mar 2024	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3)
	Stand By Line of Credit	Short Term	3.00	ACUITE A2 (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	42.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	4.03	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.98	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
24 Feb 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Stand By Line of Credit	Short Term	3.00	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)
15 Dec 2022	Stand By Line of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	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)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.34	Simple	ACUITE BBB+ Positive Reaffirmed Stable to Positive
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.66	Simple	ACUITE BBB+ Positive Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2027	3.07	Simple	ACUITE BBB+ Positive Reaffirmed Stable to Positive
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A2 Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Sep 2028	3.60	Simple	ACUITE BBB+ Positive Reaffirmed Stable to Positive
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2030	7.50	Simple	ACUITE BBB+ Positive Assigned

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

Sr. No.	Company name
1	River Engineering Private Limited
2	Stesalit 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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