

Press Release

Railfab Technologies Private Limited (Erstwhile Railfab)

June 01, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.43	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	12.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	24.93	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and the short-term rating to 'ACUITE A3+' (read as ACUITE A three plus) on the Rs. 24.93 Crore bank facilities of Railfab Technologies Private Limited. The outlook is '**Stable**'.

About Company

Kapurthala-based, Railfab Technologies Private Limited was established in 1994 by Mrs. Aruna Jain, Mrs. Meenu Jain, Mrs. Nalini Jain and Mr. Sahil Jain as a partnership firm. In 2019, the company changes its constitution from partnership firm to private limited company. The firm is engaged into the manufacturing of bio-toilets, under-carriage components, body shell components, among others, mainly for the Indian Railways at the Rail Coach Factory based at Kapurthala (Punjab), Rae Bareilly (Uttar Pradesh) and Chennai (Tamil Nadu).

About the Group

The Railtech Group, promoted by a Punjab-based family, was established in 1990. The group manufactures bio-toilets, undercarriage components, body shell components, among others for Indian Railways at the Rail Coach Factories based at Kapurthala (Punjab), Rae Bareilly (Uttar Pradesh) and Chennai (Tamil Nadu). These products are sold through the three major individual entities of the Railtech Group, i.e. 'Railtech Technologies Private Limited', 'Railfab Technologies Private Limited' and 'Inovtech'.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Railtech Technologies Private Limited, Railfab Technologies Private Limited, together referred to as 'Railtech Group'. The consolidation is in view of a similar line of business, significant financial linkages and common management.

Key Rating Drivers

Strengths

> Long track record of operations and experienced management

The Railtech Group was established in 1990 as a partnership firm with an objective of engaging into manufacturing of railway components for Indian railway. The group have a significant reputation in the business due to a long track of operation in the aforementioned industry. Recently, the company changes its constitution from partnership firm to private limited company. The promoters of the group, Mr. Sardeep Jain, Mr. Sunil Jain and Mr. Suresh Jain, each have an experience of around four decade in the same line of business. All the promoters are associated with the group from the beginning of the business. The extensive experience of the promoters has enabled the group to forge healthy relationships with the Indian railways. Acuité believes that Railtech Group will continue to benefit from its experienced management and established relationships with Indian railways.

> Moderate Financial risk profile

Financial risk profile of the group remained moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The net worth of the group stood at Rs. 76.15 Crore as on 31 March 2021 as against Rs. 71.98 Crore as on 31 March 2020. The gearing level (debt-equity) stood improved at 0.96 times as on 31 March 2021 as against 1.11 times as on 31 March 2020. Further, the group has total of Rs. 52.22 Cr of unsecured loans from promoters as on 31 st March 2021, out of which Rs. 35.00 crore are subordinated and taken as quasi equity. The total debt of the group is Rs. 73.46 Crore as on 31 March 2021 which consists of long term debt of Rs.15.32 Crore, unsecured loan amounted to Rs.17.22 Crore, current portion of long term debt of Rs. 4.06 Cr and working capital borrowings of Rs.36.86 Crore. Coverage ratios moderated as evident from interest coverage ratio (ICR) of 3.53 times in FY2021 as against 4.78 times in FY2020 due to high interest cost and lower operating profit during the year. Further, debt servicing coverage ratio stood at 2.02 times for FY2021 as against 3.94 times for FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.23 times in FY2021. Debt to EBITDA stood at 2.58 times in FY2021 as against 1.83 times in FY2020.

Weaknesses

> Intensive working capital management

Railtech group has intensive working capital requirements as evident from Gross Current Assets (GCA) days of 319 days for FY2021 as against 265 for FY2020. GCA days have deteriorated due to increase in debtor days of 174 days for FY2021 as against 111 days for FY2020. The main reason for high debtor days is partial payment by government authorities during the month of February and March 2021. However, inventory days stood improved at 72 days for FY2021 as against 89 days for FY2020. Further, current ratio stood at 1.62 times as on 31 st March 2021.

> Tender-based business and customer concentration risk

Group's business risk profile is partially constrained by high customer concentration on the railway department and tender based nature of operations. 100% percent of revenue comes from Railways, which exposes its turnover to any change in the number of new contracts floated by Indian Railways and its ability to successfully bid for the same.

Rating Sensitivities

- > Significant deterioration in operating revenues and profitability margins
- > Working capital intensive nature of operation

Material Covenants

None

Liquidity Position: Adequate

Group has strong liquidity marked by high net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.16.70 Crore in FY2021 as against debt repayment

obligation of Rs. 4.20 Cr for the year . The cash accruals of the group are estimated to remain in the range of around Rs.15.55 Crore to Rs.23.98 Crore during FY22-23 as against repayment obligation of around Rs. 4 Cr for the same period. The group's working capital operations are intensive marked by gross current asset (GCA) days of 319 days which has led to high average fund based bank limit utilization of 91.77 percent for last 9 months ending April 2022. Group maintains unencumbered cash and bank balances of Rs.4.99 Crore as on 31 March 2021. The current ratio stands at 1.62 times as on 31 March 2021.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook, owing to the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues, profitability or deterioration in the financial risk profile owing to higher-than-expected debt-funded capex or working capital requirements

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	168.80	209.58
PAT	Rs. Cr.	8.80	20.94
PAT Margin	(%)	5.21	9.99
Total Debt/Tangible Net Worth	Times	0.96	1.11
PBDIT/Interest	Times	3.53	4.78

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

None

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2020	Letter of Credit	Short Term	12.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Term Loan	Long Term	0.30	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	2.13	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
18 Sep	Term Loan	Long Term	1.22	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

2019	Letter of Credit	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Term Loan	Long Term	2.34	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
31 Jul 2019	Cash Credit	Long Term	9.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.22	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	2.34	ACUITE BB+ Stable (Reaffirmed)
07 May 2018	Cash Credit	Long Term	9.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.56	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
24 Apr 2017	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.53	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
07 Oct 2015	Cash Credit	Long Term	4.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	1.53	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Upgraded from ACUITE A4)
29 Aug 2014	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	1.49	ACUITE BB- Stable (Assigned)
		Long		
	Term Loan	Term	0.04	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A3+ Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.36	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.07	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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