



Press Release
Railfab Technologies Private Limited (Erstwhile Railfab)
August 25, 2023
Rating Reaffirmed

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

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 revised from '**Stable**' to '**Negative**'.

Rationale for outlook change

Acuite factors in experienced management, Moderate financial risk profile and adequate liquidity profile of the group for the reaffirmation of rating.

The revenue from operations of the group witnessed improvement to Rs.~258.49 crore in FY2023 (Provisional) as against Rs. 255.96 crore in FY2022. The operating profit margin of the group moderated to 8.10 percent in FY2023 (Provisional) as against 9.54 percent in FY2022 and 16.32 percent in FY2021 majorly on account of increased raw material prices and bidding at low margins due to high competition. Similarly, PAT Margin declined & stood at 2.55 Percent in FY 2023(Prov.) as against 2.68 percent in FY 2022. Further, the company has intensive working capital cycle. Coupled to these coverage indicators moderated in FY 23. Taking into account the aforementioned factors the outlook of the group is revised from stable to negative.

Acuite believes that the company's ability to grow its scale of operations and improve profitability while maintaining a healthy capital structure remains a key rating monitorable. Group is undertaking capital expenditure to set up container manufacturing facility in Ahmedabad and estimated cost will be Rs 4 to 5 crore for Plant and Machinery. Group's ability to complete its capex in a timely manner resulting into higher container sale and thereby improving the scale of operations and profitability is also a key rating monitorable.

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 Bareli (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 two major

individual entities of the Railtech Group, i.e. 'Railtech Technologies Private Limited', 'Railfab Technologies Private Limited'.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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.

Financial Risk Profile- Moderate

Group has Moderate financial risk profile marked by Moderate net worth and moderate debt protection metrics. Group's net worth stood at Rs. 89.44 Cr (Prov.) as on 31st March 2023 as against Rs.82.84 Cr as on 31st March 2022. Group follows conservative leverage policy. Gearing levels (debt-to-equity) improved by 10 bps and stood at 0.88 times as on March 31, 2023 (Prov.) as against 0.98 times in FY 2022. Improvement in Gearing Ratio in FY 23 is on account of profit accretions, repayment of debt. The total debt outstanding of the group is Rs. 78.47 crore as on 31 March, 2023 (prov.) which consists of long term bank borrowings of Rs.8.30 crore, short term working capital limit of Rs. 35.93 crore, unsecured loans of Rs 31.33 crore and current maturities of long term Debt Rs 2.91 crore.

Further, the interest coverage ratio witnessed moderation of 37 bps and stood comfortable at 2.79 times for FY2023 (Prov.) as against 3.16 times in FY2022 likewise Debt Service coverage ratio moderated by 34 bps and stood moderate at 1.51 times for FY2023 (Prov.) as against 1.85 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.66 times as on FY2023 (Prov.) vis-à-vis 1.47 times as on FY2022. However, Debt-EBITA stood at 3.21 times as on 31st March 2023(Prov.) as against 3.26 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.17 times as on FY2023 (Prov.) same as in last year. The financial risk profile of the group is expected to improve and remain comfortable in medium terms as the company do not have large capex plan in the short term period.

Weaknesses

Working capital operations- Intensive

Group has Intensive working capital requirements as evident from gross current assets (GCA) of 255 days in FY2023 (Prov.) as compared to 221 days in FY2022. Intensiveness of working capital is on account of high Inventory and Debtor Days. Inventory days moderated by 28 days and stood at 101 days in FY2023 (Prov.) as against 73 days in FY2022 likewise Debtor days moderated by 13 days and stood at 103 days in FY2023 as against 90 days in FY 2022. Fund based working capital limits are utilized at ~94 per cent during the last twelve months ended June 23. Moderation in working capital is due to delay in payments by railway as ~ 29percent of debtor are more than 90 days bracket.

Business risk profile- Moderation

Railtech Group's revenue witnessed minuscule improvement which is apparent from growth in revenue from operations by ~1% in FY2023 (Prov.) to Rs 258.49 crore as against Rs. 255.96 crore for FY2022. The operating profit margin of the group moderated by 144 bps in FY 23. Operating Profit Margin of group stood at 8.10% in FY2023 (Prov.) as against 9.54% in FY2022 likewise the net profit margin of the group moderated by 13 bps and stood at 2.55 percent in FY2023 (Prov.) as against 2.68 percent in FY 22. ROCE of the group stood at 12.12 times in FY2023 (Prov.).

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. Majority 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

Improvement in Operating income and Profitability as envisaged
Improvement in Working Capital Operation

All Covenants

None

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. 13.50 crore for FY2023 (Prov.) as against debt obligations of Rs. 5.93 crore for the same period. Current Ratio stood at 1.70 times as on 31 March 2023(Prov.) as against 1.96 times in the previous year. Fund based working capital limits are utilized at ~ 94 per cent during the last twelve months ended June 23. Cash and Bank Balances of firm stood at Rs 0.18 crore. The liquidity of the group is expected to improve with group to generate higher cash accruals on account of growth in operating income

Outlook:Negative

Acuite believes that Group will maintain a 'negative' outlook on account of continuous deterioration in the operating profit margin. The rating may be downgraded in case of further moderation in operating income, operating profit margin, stretch in working capital cycle, deterioration in financial risk profile . The outlook may be revised to 'Stable' in case of substantial improvement in revenue growth and improvement in profitability boosting the liquidity position of the Group.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	258.49	255.96
PAT	Rs. Cr.	6.60	6.87
PAT Margin	(%)	2.55	2.68
Total Debt/Tangible Net Worth	Times	0.88	0.98
PBDIT/Interest	Times	2.79	3.16

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jun 2022	Proposed Term Loan	Long Term	1.36	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.07	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.50	ACUITE A3+ (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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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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