

Press Release

Pandrol Rahee Technologies Private Limited

October 09, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 56.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB** (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+** (**read as ACUITE A three plus**) on the Rs.56.00 crore of bank facilities of Pandrol Rahee Technologies Private Limited (PRTPL). The outlook is '**Stable**'.

Established in 2004 by Mr. Pradeep Khaitan, Mr. Rahul Khaitan, Mr. Wayne Martin Peacock and Mr. Fabrice Joseph Max Seewald, Pandrol Rahee Technologies Private Limited (PRTPL) is a 60:40 joint venture of Pandrol International Limited, UK and Rahee Infratech Limited (rated at ACUITE BB+/Stable/ A4+). The company is engaged in the marketing of fasteners, clip and fittings used in metro railway. The company set up a manufacturing plant in the state of Telangana for manufacturing of e-clips in October 2018 with an installed capacity of 15 lakh pieces per annum.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of PRTPL 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, Mr. Wayne Martin Peacock and Mr. Fabrice Joseph Max Seewald possess more than two decades of experience in 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 promoter's 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 at Rs.35.33 crore in FY 2020 (Prov.) as compared to Rs 24.68 crore in FY2019. The gearing of the company stood low at 0.10 times as on March 31, 2020 (Prov.) when compared to 0.11 times as on March 31, 2019. This improvement in gearing is mainly on account of improvement in networth of the company during the period. Interest coverage ratio (ICR) is healthy and stood at 22.36 times in FY2020 (Prov.) as against 5.48 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 15.99 times in FY2020 (Prov.) as compared to 4.25 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 3.41times in FY2020 (Prov.) as compared to 0.91 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy backed by no major debt-funded capex plan over the medium term and steady net cash accruals.

Weaknesses

Working capital intensive nature of operation

The operations of the company are working capital intensive as marked by high gross current asset (GCA) days of 170 days in FY20 (Prov.) as against 265 days in FY2019. Moreover, the improvement in GCA days of the company is on account of improvement in the collection period to 121 days in FY20 (Prov.) as compared to 199 days in the previous year. The inventory days stood comfortable at 26 days in FY20 (Provisional) as

compared to 29 days in FY2019. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Exposure to foreign exchange rate fluctuation

The company's profitability is susceptible to adverse changes in foreign currency as the company has reported around 30 percent of the total revenue from export during FY20 (Prov.). However, this is partially mitigated by the availability of adequate hedging policy.

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 in FY2020 (Prov.) of Rs.11.89 crore as against Rs.0.11 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 10.22 crore to Rs. 16.96 crore during 2021-23 against Rs.0.11 crore repayment obligations in FY2021 and in FY2022 respectively. The bank limit is ~20 per cent utilised by the company for the last six months ended August 2020. The current ratio of the company stood at 1.92 times as on March 31, 2020 (Prov.). The liquidity of the company is also supported by the unencumbered cash balance of Rs.1.00 crore in FY2020 (Prov.). Moreover, the company has not availed of loan moratorium and neither the company applied for COVID emergency credit line. The Gross Current Asset (GCA) days stood moderate at 170 days in FY2020 (Prov.). 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 remain 'Stable' on the back of extensive promoter's 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.	87.99	48.81
PAT	Rs. Cr.	10.63	2.07
PAT Margin	(%)	12.08	4.23
Total Debt/Tangible Net Worth	Times	0.10	0.11
PBDIT/Interest	Times	22.36	5.48

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

CRISIL, vide its press release dated September 23, 2020 had denoted the rating of Pandrol Rahee Technologies Private Limited as 'CRISIL BB+/Stable/A4+' ISSUER NOT COOPERATING; Rating Withdrawn.

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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)

Not Applicable

***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	5.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Assigned)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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