



**Press Release**  
**BRAITHWAITE AND CO LIMITED**  
**May 30, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	230.00	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	420.00	-	ACUITE A1   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>650.00</b>	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**ACUITE A**' (read as **ACUITE A**) and short term rating of **A1** (read as **ACUITE A one**) to the Rs. 650.00 Cr bank facilities of Braithwaite and Co Limited (BCL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating factors in the healthy scale of operations and financial risk profile of BCL are supported by the increased demand for wagons and Acuite's expectation of continued healthy performance in the current year as well, on account of a strong order book translating into an order book to operating income (OB/OI) ratio of 3.2 times. The rating also takes cognizance of the government ownership of the company, the revenue stream diversification initiatives taken by the company, its reputed clientele, and the favourable industry scenario. Further, the ratings continue to derive strength from BCL's experienced management and established track record of operations. The financial risk profile has remained healthy, with gearing below unity and strong debt coverage indicators on the back of a consistent increase in net worth and higher cash accruals. The rating also derives comfort from the strong liquidity position of the company, marked by surplus cash accruals and unutilized lines of fund-based limits. The above-mentioned rating strengths are, however, partly offset by the high working capital intensity in the operations, susceptibility to volatility in raw material prices, and risks emanating from client concentration.

**About the Company**

Braithwaite & Co Limited (BCL), located in Kolkata, was registered and incorporated in 1976 as a fully owned Government of India enterprise, under the Ministry of Heavy Industries. It is into manufacturing of various engineering products such as railway wagons, steel castings, cranes, and structural fabrications, and provides refurbishments and maintenance services for cranes and wagons, heavy structurals for bridges, and other engineering applications. On August 6, 2010, BCL was taken over by the Ministry of Railways from the Ministry of Heavy Industries. The Company is owned by President of India (100%) through the nominees of the President of India under the Ministry of Railways. Furthermore, Miniratna status (category I) was awarded to the company on 11.01.22.

**Standalone (Unsupported) Rating**

ACUITE A-/ 'Stable'

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of Braithwaite & Co

Limited ' and the rating has been notched up considering the Government of India's undertaking.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of business operations**

The company has been around for more than 100 years. It was nationalised and taken over by the Indian government in 1976, and the Ministry of Railways has had administrative responsibility over it since August 2010. BCL is a well-known manufacturer of railway wagons, and wagon components in India. The business has a proven track record of operations, which has allowed it to develop a thorough understanding of the industry dynamics. BCL has expanded its product line and is currently taking part in tenders for civil and bridge building. The company has been preferred by the Indian Railways as a prototype hub, and as a result, RDSO and BCL have signed a Memorandum of Understanding (MOU) for the design and development of new wagon prototypes for the Indian Railways. This will help the company become less dependent on conventional manufacturing methods and will also help it expand its market in the future. Furthermore, established relationships with customers have ensured brand and product loyalty, and those with suppliers have eased the procurement of raw materials.

#### **Revenue expected to grow at a CAGR of ~14.5% over FY22-24E, and operating margins to remain modest.**

The operating revenue of the company improved to Rs 765.36 Cr in FY 2022 as compared to Rs 610.92 Cr in FY 2021. The company has an outstanding order book of about Rs 2434 Cr, consisting of Rs 1125 Cr. from the manufacturing of wagons, Rs 625 Cr from the repair of railway Wagons and Rs 684 Cr. from segments other than wagons namely coaches, containers, cranes, bridges, and bridge girders, translating into an order book to operating income (OB/OI) ratio of ~3.2 times as of February 28, 2023.

Key drivers for revenue growth for BCL going forward are likely to be (1) the government's railway infrastructure development thrust, (2) an increase in freight market share of the rail segment, (3) value-added growth opportunities, coaches, container, and project capabilities, and (4) future forays into station development and solar PV power plant projects. BCL is expected to report a revenue CAGR of ~14.5% over FY22-FY24E backed by improvement in the domestic rail wagon segment, as higher ordering from both IR (Indian Railway) and the private sector fuels a volume recovery. However, the ability of the company to deliver the orders in a timely fashion, timely receipt of payments from IR, timely offtake of material by IR post inspection, and the ability of the company to tie up non-fund-based limits towards the execution of the orders will remain key monitorables. The agency estimates the company to clock revenue of Rs 900-920 Cr in FY23, considering the orders in hand.

Compared to a margin of 5.97% in FY21, the company reported an EBITDA margin of 6.14% in FY2022. Acuite estimates that, is likely to remain limited in the range of 4.5–5% due to (1) a higher percentage of low-margin orders, (2) persistently increasing steel and other commodity prices, and (3) the inaccessibility of wheel sets from Rail Wheel Factory for waggons and other locomotives. Going forward, the operating margin will be sustained over the medium term on account of price variation clauses in orders from IR, which will mitigate any volatility in commodity prices, and the execution of private sector order books, where margins are generally higher.

#### **Healthy financial risk profile**

The financial risk profile of the company is marked by a healthy net worth, low gearing, and strong debt protection metrics. The tangible net worth of the company improved to Rs.150.09 Cr as on March 31, 2022, from Rs. 108.13 crore as of March 31, 2021, due to the accretion of reserves. The company has followed a conservative financial policy in the past, with peak gearing levels of 0.25 times as of March 31, 2020. The current gearing of the company has improved significantly and stood at 0.03 times as on March 31, 2022. Acuite notes that the company has been regularly incurring modest capex in the last few years to improve efficiency. The total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.55 times as of March 31, 2022. Moreover, with adequate profitability and limited reliance on external borrowings in FY2022, the coverages improved, with the interest coverage ratio at 26.05 times

and the debt service coverage ratio at 24.0 times as of March 31, 2022. Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

## **Weaknesses**

### **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 152 days as of March 31, 2022, as compared to 122 days as of March 31, 2021. The working capital intensity remains inherently high in the industry due to milestone-based payments and the unbilled revenue of Rs 67.8 crore. The GCA days remained stretched on account of the high inventory period, which stood at 61 days in FY22 as compared to 38 days in FY21. The inventory levels of the company have been historically high owing to Indian Railway (IR)'s procurement policy, where wheel sets for wagons and other locomotives can be procured only from Rail Wheel Factory (manufacturing unit of IR). Hence, the company has to maintain an inventory of around 2 to 3 months for a smooth manufacturing process without any interruptions. The debtor days are steady at 56 days in FY22 as compared to 74 days in the previous period. Acuite believes that with 72 percent of the order pipeline coming from IR, the company's working capital intensity will remain at similar levels over the medium term with significant inventory holdings. Moreover, with the record allocation of Rs. 2.4 lakh Cr to IR in the Union Budget 2023-24, Acuite expects the order book to increase further in FY24 and hence inventory holding for the same, as IR is planning to roll out large size tenders in the upcoming 3-6 months.

### **ESG Factors Relevant for Rating**

For the wagon manufacturing and transport ancillary industry, GHG emissions and product lifecycle is of paramount importance. Further parameters such as inclusion of clean, green technologies in manufacturing, material, energy and water efficiency, proper waste disposal are of key importance to the industry. The company has pollution control equipment installed in the unit.

The social impact of the company is assessed through safety of its employees as well as customers and is reflected through employment quality, product safety, product quality and initiatives for community support and development. Upholding strong business ethics and competitive behavior of companies are a key material issue for the transport equipment industry. BCL is ensuring employee skill development through periodic training sessions and community development through contribution in PM relief Fund and more. The company is committed to maintain the highest standards of Corporate Governance and adhere to the corporate governance requirements set out by Department of public enterprises, Government of India.

### **Rating Sensitivities**

Elongation in working capital cycle  
Enhancement of production capacity  
Change in capital structure  
Reduction in order flow

### **Material covenants**

None

### **Liquidity Position Strong**

The company's liquidity position is strong marked by high net cash accruals of Rs. 45.03 Cr as on March 31, 2022 as against no long term debt repayment over the same period. The current ratio stood comfortable at 1.51 times as on March 31, 2022 as compared to 1.46 times as on March 31, 2021. The company has cash and bank balance of around Rs.0.04 Cr in FY22. The fund based limit remains utilised at 18 per cent over twelve months ended March, 2023. The working capital cycle of the company is intensive marked by Gross Current Assets (GCA) of 152 days as on 31st March 2022 as compared to 122 days as on 31st March 2021. Going

forward, Acuité believes the liquidity position of the company will be sustained marked by steady net cash accruals and low reliability on external borrowings.

### Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term backed by its established market position, strong order book position, comfortable business and financial risk position and diversification in its product mix. The outlook may be revised to 'Positive' if the company register a higher than expected growth in revenues while improving its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of further elongation in the working capital cycle

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	765.36	610.92
PAT	Rs. Cr.	42.42	24.72
PAT Margin	(%)	5.54	4.05
Total Debt/Tangible Net Worth	Times	0.03	0.09
PBDIT/Interest	Times	26.05	19.41

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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. 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 :

Not Applicable

## 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 Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	230.00	ACUITE A1   Assigned
IDBI Bank Ltd.	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A1   Assigned
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A1   Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1   Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A   Stable   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A1   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	185.00	ACUITE A   Stable   Assigned

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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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