



Press Release
BRAITHWAITE AND CO LIMITED
August 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	625.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	650.00	-	-

Rating Rationale

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

Rationale for Reaffirmation

The rating reflects increase in scale of operations along with decline in profitability margins. The rating also takes cognizance of the government ownership of the company and the revenue stream diversification initiatives taken by the company. The financial risk profile has remained moderate with gearing below unity and low debt coverage indicators. The rating also derives comfort from the adequate liquidity position of the company marked by surplus cash balances. The above mentioned rating strengths are however, partly offset by intensive working capital cycle and susceptibility to volatility in raw material prices.

About the Company

Originated as a British firm, named Braithwaite & Kirk (B & K) in 1884, Braithwaite & Co. (India) Ltd. established in Bengal in 1913 and subsequently nationalised as PSU in 1976. 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. On 6 August

2010, BCL was taken over by the ministry of Railways from 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.

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.

Increase in scale of operations

The company achieved revenues of Rs.1103.91 Cr. in FY24 as against Rs.1044.76 Cr. in FY23 and Rs.765.36 Cr. in FY22. The slight rise in revenue is due to the significant increase in orders in hand. The order in hand comprises of Rs.2536.60 Cr. as on July 31, 2024. The OB /OI is 2.30 times as on July 31, 2024. It has reported revenues of Rs. 459 Cr. till July (FY25 prov.).

Moderate Financial Risk Profile

The financial risk profile of the company is marked by increase in net worth, low gearing and low debt protection metrics. The tangible net worth of the company improved to Rs.216.66 Cr. in FY24 as against Rs.200.00 Cr. in FY23 and Rs.150.09 Cr. in FY22 due to low accretion of reserves. Gearing of the company stood below unity at 0.14 times in FY24 compared to 0.03 times in FY22. Interest coverage ratio and Debt service coverage ratio stood low at 5.44 times in FY24 and 4.77 times in FY24 respectively. The Tangible Outside Liability/ Tangible Networth stood at 1.91 times in FY24 as against 1.85 times in FY23 and 1.55 times in FY22. Acuite believes the financial risk profile of the company will remain moderate on account of steady net cash accruals over the medium term.

Weaknesses

Decline in profitability margins

The EBITDA margin stood at 2.59 percent in FY24 as against 6.46 percent in FY23 and 6.14 times in FY22. The decline is attributed to the increase in raw material prices and the Company's inability to pass on the same to end customers. The PAT margin stood at 1.49 percent in FY24 as against 4.76 times in FY23 and 5.54 times in FY22. The decrease in margin was due to one-time escalation cost related to the POH wagon workshop project. Although a Memorandum of Understanding (MoU) was signed with the railway authorities and approval was also obtained, resulting in the release of funds. The billing process was reversed due to unclear terms regarding costs. The reversal of this is expected to be recovered in the coming years. The decline is also due to the absence of execution of remunerative orders where there was margin pressure on account of high input cost. Acuite believes that the profitability margins will improve over the medium term.

Intensive Working Capital Cycle

The intensive working capital cycle is marked by Gross Current Assets (GCA) of 190 days in FY24 as compared to 182 days in FY23 and 161 days in FY22. The inventory days stood at 61 days in FY24 as against 80 days in FY23 and 61 days in FY22. The debtor days stood at 32 days in FY24 as against 35 days in FY23 and 56 days in FY22. The other current assets include work done but bills not raised (considered good) of Rs.169.86 Cr, advances recoverable in cash or kind of Rs.31.32 Cr, lien marked FDR of Rs.9.50 Cr, security deposits (considered good) of Rs.8.86 Cr. and others. The creditor days stood at 87 days in FY24 as against 78 days in FY23 and 88 days in FY22. Acuite believes the working capital cycle to remain on similar levels over the medium term.

Rating Sensitivities

- Improvement in scale of operations and profitability margins
- Elongation of working capital

Liquidity Position **Adequate**

The company's liquidity position is adequate, marked by Net Cash Accruals of Rs.20.44 Cr. against a nil long-term debt repayment over the same period. The current ratio stood comfortable at 1.40 times in FY24 as against 1.41 times in FY23 and 1.51 times in FY22.

The cash and bank balance stood at Rs.85.50 Cr in FY24 as against Rs.16.93 Cr in FY23 and Rs.19.10 Cr in FY22. Out of Rs.85.50 Cr, Rs.76.00 Cr is for the poly house project received as a mobilization advance from the Uttarakhand Government on March 31, 2024. Due to restrictive conditions, these funds are currently held in a current account earning no interest and can be utilized for specific purposes related to the project. The consolidated fund-based limit utilization is (0.80) % and non-fund-based limit utilization is 33.95%. The intensive working capital cycle is marked by Gross Current Assets (GCA) of 190 days in FY24 as compared to 182 days in FY23 and 161 days in FY22. Acuite believes the liquidity position of the company will be sustained marked by steady net cash accruals and low reliability on external borrowings.

Outlook: Stable

Acuite 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 or a decline in profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1103.91	1044.76
PAT	Rs. Cr.	16.47	49.73
PAT Margin	(%)	1.49	4.76
Total Debt/Tangible Net Worth	Times	0.14	0.00
PBDIT/Interest	Times	5.44	25.10

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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. 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
30 May 2023	Letter of Credit	Short Term	25.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	230.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	100.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A1 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	185.00	ACUITE A Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	280.00	ACUITE A Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	65.00	ACUITE A Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A Stable Reaffirmed

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

Sr.No.	Company Name
1	Braithwaite and Co Limited
2	Government of India

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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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