

August 02, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.00	<b>SMERA BB+/Stable/Assigned</b>
Term Loan	3.42	<b>SMERA BB+ /Stable/Assigned</b>
Letter of comfort for Buyers credit	7.00	<b>SMERA BB+ /Stable/Assigned</b>
Bank Guarantee	6.00	<b>SMERA A4+ /Assigned</b>

SMERA has assigned ratings of '**SMERA BB+** (read as SMERA double B plus) to the Rs.12.42 crore long term facilities (fund based) and '**SMERA A4+** (read as SMERA A four plus) to the Rs.6.00 crore short term facility (non-fund based) of Railtech Infraventure Private Limited (Railtech). The ratings are supported by the company's established track record of operations, diversified service portfolio and experienced management. The ratings are further supported by the company's moderate financial profile, healthy order book position and long association with the Indian Railways. However, the ratings are constrained by the company's small scale of operations and customer concentration risk.

Railtech, established in 2008, is an ISO 9001:2008 certified company engaged in linking, maintenance and rehabilitation of railway tracks across India. The company's operating income increased at a CAGR of 174 per cent from Rs.2.50 crore in FY2008-09 (refers to financial year, April 01 to March 31) to Rs.25.44 crore in FY2012-13 (provisional). This was primarily on account of diversification of services and expansion of client base. Railtech is also widening its geographical reach beyond India and undertaking continuous capacity expansion.

Railtech has moderate leverage with debt-to-equity ratio at 1.81 times as on March 31, 2012. However, as per provisional financial statements, the company's debt-to-equity ratio improved to 0.95 times as on March 31, 2013 on account of equity infusion through conversion of unsecured loans. Moreover, the company's healthy profit margins and low interest obligation have resulted in comfortable coverage indicators with interest coverage ratio at 2.48 times and DSCR at 2.43 times for FY2011-12.

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Railtech is associated with the Indian Railways since more than 30 years. The company caters to various divisions of the Indian Railways and hence has a widespread geographical presence across India. Railtech has a healthy order book position of Rs.26.80 crore as on May 31, 2013.

The company has a small scale of operations with FY2011-12 revenues at Rs.18.21 crore. Moreover, Railtech has high customer concentration risk with sales to the Indian Railways accounting for more than 99 per cent of the company's total revenues in FY2012-13. Railtech has recently diversified its operations by offering flash-butt welding services and undertaking rehabilitation and maintenance of railway tracks in Bangladesh, Ethiopia and Mozambique. The company has also executed projects (from NTPC and SAIL) for laying and maintenance of rail tracks.

Railtech's overall operations are managed by Mr. Ajai Kumar, who has over four decades of experience in the same line of business. Mr. Ajai Kumar is assisted by his son Mr. Amit Bansal. The company has an experienced second line of management.

### **Outlook: Stable**

Railtech has a 'Stable' outlook. SMERA believes that Railtech will continue to maintain its scale of operations on the back of its experienced management, continuous capacity expansion and service diversification. However, the company's ability to scale up its operations while maintaining profit margins and achieving efficient working capital management remains the key rating sensitivity.

### **About the company**

Railtech was established in 2008 through the merger of two entities namely M/s Railtech and M/s Ajai Kumar. M/s Ajai Kumar was a proprietorship firm established in 1984 for undertaking contract work for the Northern Railways while M/s Railtech was a proprietorship firm established by Mrs Reeta Bansal in 2000 for undertaking contracts from other division of the Indian Railways. Railtech has its registered office in Delhi and corporate office in Allahabad.

Railtech is engaged in linking, maintenance and rehabilitation of railways tracks across India and abroad. The company has executed several projects involving gauge conversion, Plasser's Quick

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Relying System work (PQRS work), complete track renewal, operation and annual maintenance of railway tracks and merry-go-round railway track systems, depot flash-butt welding and mobile flash-butt welding. Railtech also undertakes transportation of material for the Indian Railways. Railtech is headed by Mr. Ajai Kumar and Mr. Amit Bansal.

Railtech reported net profit of Rs.0.59 crore on total income of Rs.18.21 crore during FY2011-12 as compared with net profit of Rs.0.28 crore on total income of Rs.15.88 crore for FY2010-11. As per the provisional financial statements of FY2012-13, Railtech reported operating income of Rs.25.44 crore.

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