



SMERA RATINGS LIMITED

Railtech Infraventure Private Limited (Railtech)

**Rating
Rationale**

September 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB+/Stable (Reaffirmed)
Term Loan	3.42	SMERA BB+/Stable(Reaffirmed)
Bank Guarantee	6.00	SMERA A4+ (Reaffirmed)
Letter of Comfort	7.00	SMERA A4+ (Reaffirmed)
Letter of Comfort (Enhancement)	5.00	SMERA A4+ (Assigned)

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.23.42 crore (enhanced from Rs.18.42 crore) bank facilities of Railtech infraventure Private Limited (Railtech). Further, SMERA has assigned a rating of '**SMERA A4+**' to the Rs.5.00 crore bank facilities of Railtech. The outlook is '**Stable**'.

The ratings continue to derive strength from the company's established track record of operations, diversified service portfolio and experienced management. The rating is supported by the company's healthy financial risk profile and long association with the Indian Railways. However, the ratings continue to be constrained by the company's small scale of operations and customer concentration risk.

Update

Railtech's net sales have increased by ~24 per cent in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.31.97 crore, as compared with Rs.25.71 crore in FY2012-13 backed by expansion in capacity. The company's operating profit margin has improved to 26.31 per cent in FY2013-14 from 18.35 per cent mainly on account of high margin flash butt welding service offered to Indian Railways.

Railtech's debt to equity ratio has marginally reduced to 0.74 times as on March 31, 2014 as compared to 0.95 times as on March 31, 2013. Despite of increase in operating margin, company's interest coverage ratio moderately declined to 4.77 times in FY2013-14 as compared to 4.87 times in FY2012-13 mainly on account of foreign currency fluctuation leading to higher interest outflow on foreign currency loans.

Railtech has a small scale of operations with revenues of Rs.31.97 crore in FY2013-14. Moreover, the company has high customer concentration risk as it derives more than 99 per cent of its total revenues from the Indian Railways. Railtech has recently diversified its operations by offering flash-butt welding services and undertaking projects like rehabilitation and maintenance of railway tracks.

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**Rating
Rationale**

Outlook: Stable

SMERA believes that Railtech will continue to benefit from experienced management, continuous capacity expansion and service diversification. The outlook may be revised to 'Positive' if the company increase its scale of business operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case the company financial risk profile deteriorate significantly.

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 taking contracts from other division of 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 as well as overseas. The company has executed several projects involving gauge conversion, Plasser's Quick Relaying System work (PQRS work), complete track renewal, operation and annual maintenance railway tracks and merry-go-round railway track systems, depot flash-butt welding and mobile flash-butt welding. Railtech also undertakes transportation of railway material for the Indian Railways. Railtech is headed by Mr. Ajai Kumar and Mr. Amit Bansal.

Railtech had reported net profit of Rs.2.25 crores on total income of Rs.31.97 crores during FY2013-14 as compared with net profit of Rs.1.73 crores on total income of Rs.25.71 crores for FY2012-13. The company's net worth stood at Rs.17.31 crore in as on March 31, 2014 as compared to Rs.15.06 crore in FY2013.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, Vice President – SME Sales Tel : +91-22-6714 1177 Cell : +91 99300 74009 Email : virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-67141107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-67141128 Email: ratingdesk@smera.in

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