

November 21, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00 (Enhanced from 2.00)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan	2.85	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Bank Guarantee	10.00 (Enhanced from 6.00)	SMERA A3 (Upgraded from SMERA A4+)
Letter of Comfort - I	7.00	SMERA A3 (Upgraded from SMERA A4+)
Letter of Comfort - II	5.00	SMERA A3 (Upgraded from SMERA A4+)
Letter of Comfort - III	4.60	SMERA A3 (Assigned)

SMERA has upgraded the long-term rating on the Rs.5.85 crore bank facility of Railtech Infraventure Private Limited (Railtech) to '**SMERA BBB-**' (**read as SMERA triple B minus**) from '**SMERA BB+**' (**read as SMERA double B plus**) and the short term rating on the Rs.26.60 crore bank facility to '**SMERA A3**' (**read as SMERA A three**) from '**SMERA A4+**' (**read as SMERA A four plus**). The outlook is '**Stable**'.

The upgrade is in view of growth in the scale of operations and improvement in operating margins. The ratings continue to draw comfort from the company's experienced management, healthy financial risk profile and long association with the Indian Railways. However, the ratings continue to be constrained by the small scale of operations.

Update

Railtech's revenues increased from Rs.31.97 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.39.16 crore in FY2014-15. For the period April 01 to October 01, 2015, the company registered operating income of Rs.18 crore. Railtech's operating margins improved from 22 percent in FY2013-14 to 29 percent in FY2014-15 mainly on account of the addition of two flash butt welding machines that improves efficiency and trading of rail vehicles. The company's profit after tax (PAT) margins improved from 3.94 percent in FY2013-14 to 15 percent in FY2014-15 on account of dividend received from the company's subsidiary Railtech Infraventure Limited (RIL) located in Mozambique. RIPL holds ~ 75 percent stake in RIL.

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The ratings continue to derive support from the extensive experience of the promoters in the railway industry. The healthy financial risk profile is marked by debt to equity of 0.63 times and interest coverage of 13 times as on March 31, 2015.

Outlook: Stable

SMERA believes Railtech will maintain a 'Stable' business profile over the medium term on the back of healthy order book, efficient working capital management and strong debt servicing indicators. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue, profitability with low gearing. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the revenues or deterioration in the financial risk profile.

About the Company

Railtech was established in 2008 is Allahabad based company. Railtech is engaged in highly technical and specialized work like, flash butt welding, track linking, maintenance and rehabilitation for Indian Railways as well as for public & private players.

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