

Press Release

Railtech Infraventure Private Limited (Railtech)

07 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.32.45 Cr
Long Term Rating	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)
Short Term Rating	SMERA A3+ (Upgraded from SMERA A3)

**Refer Annexure for details*

SMERA has upgraded the long-term rating on the Rs.19.04 crore bank facilities of Railtech Infraventure Private Limited (Railtech) to **'SMERA BBB (read as SMERA triple B)'** from **'SMERA BBB-' (read as SMERA triple B minus)** and short-term rating to **'SMERA A3+' (read as SMERA A three plus)** from **'SMERA A3' (read as SMERA A three)**. The outlook continues to be **'Stable'**.

SMERA has also assigned short term rating of **'SMERA A3+' (read as SMERA A three plus)** on the Rs.13.41 crore bank facilities. Further SMERA has withdrawn the rating of **'SMERA A3' (read as SMERA A three)** on the Rs.12 crore bank facilities.

Railtech, established in 2008, is engaged in the linking, maintenance and rehabilitation of railway tracks across India as well as overseas. The promoters, Mr. Ajai Kumar and Mr. Amit Bansal possess more than two decades of experience in the engineering industry.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations: The promoters, Mr. Ajai Kumar and Mr. Amit Bansal possess more than two decades of experience in the engineering industry. Railtech, incorporated in 2008, is a merger between M/s Railtech and M/s Ajai Kumar. M/s Railtech was established in 2000 as a proprietorship concern while M/s Ajai Kumar was established in 1984. Both firms undertake contract work for the Northern Railway.

Healthy financial risk profile: The ratings continue to be supported by the healthy financial risk profile marked by low gearing (debt-to-equity) of 0.39 times as on 31 March, 2016 as compared to 0.58 times as on 31 March, 2015. The interest coverage ratio stands at 15.53 times in FY2016 as against 13.00 times in the previous year. Notwithstanding moderation in the DSCR on account of increase in debt servicing obligations, the DSCR continued to remain healthy at 1.97 times in FY2016 as against 4.79 times in FY2015. SMERA expects the debt protection metrics to remain robust over the medium term on account of healthy net cash accruals and profitability margins. The net profitability margin stands at 14.65 per cent in FY2016 as against 15.62 times in the previous year. The RoCE has been at 34.43 times as compared to 26.44 times last year.

Weaknesses:

Moderate scale of operations: The ratings are constrained by the moderate scale of operations with operating income of Rs.56.11 crore in FY2016 as compared to Rs.39.16 a year earlier.

Tender-based business: Railtech is exposed to risks associated with the tender based business. However, the said risk is partially mitigated due to long standing relationship with Indian railways.

Applicable Criteria:

- Service Entities - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company undertakes significant debt funded capex resulting in deterioration of the financial risk profile.

About the Rated Entity

Railtech, established in 2008 undertakes maintenance work for Indian Railways across India as well as in countries like Bangladesh, Sri Lanka and Mozambique. The company, headed by Mr. Ajai Kumar and Mr. Amit Bansal has executed several projects related to guage conversion, Plasser's Quick Relaying System work (PQRS Work), track renewal among others.

For FY2015-16, the company reported profit after tax (PAT) of Rs.8.22 crore on operating income of Rs.56.11 crore as compared with PAT of Rs.6.12 crore on operating income of Rs.39.16 crore in FY2014-15. The net worth stood at Rs.31.67 crore as on 31 March, 2016 against Rs.24.15 crore a year earlier. The net worth of Rs.31.67 crore in FY2016 includes quasi-equity of Rs.0.71 crore.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.00	SMERA BBB/Stable (Upgraded)	21 Nov, 2015	SMERA BBB-/Stable (Upgraded)	30 Sep, 2014	SMERA BB+/Stable (Reaffirmed)	2 Aug, 2013	SMERA BB+/Stable (Assigned)
Term Loan	LT	1.44 (reduced from Rs.2.85 crore)	SMERA BBB/Stable (Upgraded)	21 Nov, 2015	SMERA BBB-/Stable (Upgraded)	30 Sep, 2014	SMERA BB+/Stable (Reaffirmed)	2 Aug, 2013	SMERA BB+/Stable (Assigned)
Bank Guarantee	ST	10.00	SMERA A3+ (Upgraded)	21 Nov, 2015	SMERA A3 (Upgraded)	30 Sep, 2014	SMERA A4+ (Reaffirmed)	2 Aug, 2013	SMERA A4+ (Assigned)
Letter of Comfort for Buyers Credit	-	-	-	-	-	-	-	2 Aug, 2013	SMERA BB+/Stable (Assigned)
Letter of Comfort - I	ST	7.00	SMERA A3 (Withdrawn)	21 Nov, 2015	SMERA A3 (Upgraded)	30 Sep, 2014	SMERA A4+ (Reaffirmed)	-	-

Letter of Comfort (Enhancement)	-	-	-	-	-	30 Sep, 2014	SMERA A4+ (Assigned)	-	-
Letter of Comfort - II	ST	5.00	SMERA A3 (Withdrawn)	21 Nov, 2015	SMERA A3 (Upgraded)	-	-	-	-
Letter of Comfort - III	ST	4.60	SMERA A3+ (Upgraded)	21 Nov, 2015	SMERA A3 (Assigned)	-	-	-	-
Letter of Comfort - IV	ST	3.66	SMERA A3+ (Assigned)	-	-	-	-	-	-
Proposed Bank Guarantee	ST	9.75	SMERA A3+ (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.00	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)
Term Loan	N.A	N.A	30 June, 2019	1.44 (reduced from Rs.2.85 crore)	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)
Bank Guarantee	N.A	N.A	N.A	10.00	SMERA A3+ (Upgraded from SMERA A3)
Letter of Comfort - I	N.A	N.A	N.A	7.00	SMERA A3 (Withdrawn)
Letter of Comfort - II	N.A	N.A	N.A	5.00	SMERA A3 (Withdrawn)
Letter of Comfort - III	N.A	N.A	N.A	4.60	SMERA A3+ (Upgraded from SMERA A3)
Letter of Comfort - IV	N.A	N.A	N.A	3.66	SMERA A3+ (Assigned)
Proposed Bank Guarantee	N.A	N.A	N.A	9.75	SMERA A3+ (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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