

Press Release

Railtech Infraventure Private Limited (RIPL)

08 March, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 32.45 Cr.
Long Term Rating	SMERA BBB+ /Outlook: Stable (Upgraded from SMERA BBB/Stable)
Short Term Rating	SMERA A2 (Upgraded from SMERA A3+)

*Refer annexure for details

SMERA has upgraded the long term rating on the Rs.32.45 crore bank facilities of Railtech Infraventure Private Limited (RIPL) to '**SMERA BBB+**' (read as SMERA triple B plus) from '**SMERA BBB**' (read as SMERA Triple B) and short term rating to '**SMERA A2**' (read as SMERA A two) from '**SMERA A3+**' (read as SMERA A three plus). The outlook is '**Stable**'.

The upgrade is in view of the improved financial risk profile along with healthy revenue visibility backed by order book of Rs. 150 crore to be executed by March 2019. The rating also considers continuous capital expenditure resulting in service diversification and improved efficiency. SMERA believes that going ahead the company will sustain growth in scale of operations while maintaining profitability resulting in comfortable financial risk profile.

Established in 2008, RIPL is a Uttar Pradesh based company engaged in the linking, maintenance and rehabilitation of railway tracks across India. The promoters are Mr. Ajai Kumar and Mr. Amit Bansal. In the past, the company has executed projects overseas to Bangladesh, Sri Lanka, among others. Presently, the company provides services only to Indian railways and its subsidiaries.

Key rating drivers

Strengths

Established presence in the industry

RIPL was incorporated in 2008 after the merger of M/s Railtech (established in 2000) and M/s Ajai Kumar (established in 1984). The promoters, Mr. Ajai Kumar and Mr. Amit Bansal possess more than two decades of experience in the engineering industry.

Improved financial risk profile

RIPL's financial risk profile has improved marked by net worth of Rs. 40.43 crore as on 31 March, 2017 as compared to Rs.30.95 crore as on 31 March, 2016. This is mainly due to healthy accretion of reserves. The gearing (Debt-equity) stood at 0.40 as on 31 March, 2017 as against 0.42 as on 31 March, 2016. The Interest Coverage improved from 15.54 times in FY2016 to 21.45 times in FY2017. The Debt Service Coverage Ratio (DSCR) has improved from 1.97 times in FY2016 to 8.50 times in FY2017.

Growth in revenue and stable profitability

The revenues grew to Rs. 65.97 crore in FY2017 from Rs. 29.91 crore in FY2016. The operating margins remained stable at 32.13 per cent in FY2017 as against 32.80 per cent in FY2016. Further, RIPL reported revenue of Rs.58 crore for the period April to January 2018 with orders in hand of Rs. 150 crore to be executed by March 2019. SMERA believes that the company will maintain growth in revenues along with stable profitability over the near to medium term.

Weaknesses

Moderate working capital

RIPL has moderate working capital nature of operations marked by Gross Current Asset (GCA) of 120 days as on 31 March, 2017 as against 123 days as on 31 March, 2016. This is mainly due to inventory holding of 37 days as on 31 March, 2017 as compared to 50 days as on 31 March, 2016. The company had debtors outstanding of 57 days in FY2017 as compared to 47 days in FY2016. RIPL's ability to maintain its working capital cycle will remain a key rating sensitivity.

Tender-based business

RIPL is exposed to risks associated with tender based business. However, the risk is partially mitigated due to the company's long standing relations with Indian Railways.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RIPL to arrive at the rating.

Outlook – Stable

SMERA believes that RIPL will maintain a Stable outlook and continue to benefit from its experienced management and established presence in the industry. The outlook may be revised to 'Positive' in case of significant growth in scale of operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the financial risk profile or increased dependence on working capital.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	64.62	56.11	39.16
EBITDA	Rs. Cr.	20.76	18.40	11.39
PAT	Rs. Cr.	9.47	8.22	6.12
EBITDA Margin	(%)	32.13	32.80	29.08
PAT Margin	(%)	14.66	14.65	15.62
ROCE	(%)	32.00	34.43	47.76
Total Debt/Tangible Net Worth	Times	0.40	0.42	0.63
PBDIT/Interest	Times	21.45	15.54	13.00
Total Debt/PBDIT	Times	0.78	0.70	1.29

Gross Current Assets (Days)	Days	120	123	95
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Status of non-cooperation with previous CRA (if applicable): None

Any other information: Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07-Feb, 2017	Cash Credit	Long term	3.00	SMERA BBB/ Stable (Upgraded)
	Term loan	Long term	1.44	SMERA BBB/ Stable (Upgraded)
	Bank guarantee	Short term	10.00	SMERA A3+ (Upgraded)
	Letter of Comfort - I	Short term	7.00	SMERA A3 (Withdrawn)
	Letter of Comfort - II	Short term	5.00	SMERA A3 (Withdrawn)
	Letter of Comfort - III	Short term	4.60	SMERA A3+ (Upgraded)
	Letter of Comfort - IV	Short term	3.66	SMERA A3+ (Assigned)
	Proposed bank guarantee	Short term	9.75	SMERA A3+ (Assigned)
21-Nov, 2015	Cash credit	Long term	3.00	SMERA BBB- Stable (Upgraded)
	Term loan	Long term	2.85	SMERA BBB- Stable (Upgraded)
	Bank guarantee	Short term	10.00	SMERA A3 (Upgraded)
	Letter of Comfort - I	Short term	7.00	SMERA A3 (Upgraded)
	Letter of Comfort - II	Short term	5.00	SMERA A3 (Upgraded)
	Letter of Comfort - III	Short term	4.60	SMERA A3 (Assigned)

30-Sep, 2014	Cash credit	Long term	2.00	SMERA BB+/Stable (Reaffirmed)
	Term loan	Long term	3.42	SMERA BB+/Stable (Reaffirmed)
	Bank guarantee	Short term	6.00	SMERA A4+ (Reaffirmed)
	Buyers credit	Short term	7.00	SMERA A4+ (Reaffirmed)
	Buyers credit	Short term	5.00	SMERA A4+ (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	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB+/Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.44	SMERA BBB+/Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	19.75	SMERA A2 (Upgraded)
Letter of Comfort	Not Applicable	Not Applicable	Not Applicable	4.60	SMERA A2 (Upgraded)
Letter of Comfort	Not Applicable	Not Applicable	Not Applicable	3.66	SMERA A2 (Upgraded)

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ABOUT SMERA

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