

Press Release

Railtech Infraventure Private Limited (RIPL)

June 06, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 79.68 Cr.
Long Term Rating	ACUITE A-/ Stable (Upgraded from BBB+/Stable)
Short Term Rating	ACUITE A2+ (Upgraded from A2)

* Refer Annexure for details

Rating Rationale

Acuite has Upgraded the long term rating of **'ACUITE A-' (read as ACUITE A minus)** from **'ACUITE BBB+' (read as ACUITE triple B plus)** and a short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** from **'ACUITE A2' (read as ACUITE A two)** to the Rs. 79.68 crore of Railtech Infraventure Private Limited. The outlook is 'Stable'.

Further, Acuite has withdrawn the long-term rating of **'ACUITE A-/Stable' (read as ACUITE A minus)** on the Rs. 8.26 crore bank facilities of Railtech Infraventure Private Limited.

Acuite has assigned a long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on the Rs. 2.88 crore bank facilities of Railtech Infraventure Private Limited. The outlook is 'Stable'.

The upgrade on account of significant improvement in scale of operations, increase in margins, improvement in liquidity visible from low reliance on external borrowings and overall improvement in the financial risk profile of the company. The revenues has improved to Rs.101.59 crore in FY2019 (Provisional) as against Rs.68.72 crore in FY2018. The EBITDA margins have improved to 39.89 per cent for FY2019 (Provisional) as against 33.16 per cent in FY2018. The improvement in margins has led to improvement in coverage indicators and debt protection metrics of the company.

Analytical Approach

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

Key Rating Drivers

Strengths

• Prominent player 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 company has track record of more than three decades in the industry. The promoters, Mr. Ajai Kumar and Mr. Amit Bansal possess more than two decades of experience in the engineering industry.

• Healthy financial risk profile:

RIPL's financial risk profile has improved marked by net worth of Rs. 72.68 crore in FY2019 (Provisional) as compared to Rs. 50.23 crore in FY2018. This is mainly due to increase in reserves of the company. The gearing (Debt-equity) stood at 0.35 in FY2019 (Provisional) as against 0.48 in FY2018. The interest coverage and DSCR stood at 14.59 and 7.00 respectively in FY2019 (Provisional) as against 14.39 and 7.13 in FY2018, respectively. The net cash accruals stood at Rs.32.84 crore in FY2019 (Provisional) against the maturing debt obligation for the same year is Rs.4.50 crore. The TOL/TNW ratio stood at 0.57 times as on March 31, 2019(Provisional) against 0.72 times as on March 31, 2018.

• Growth in revenues and stable profitability:

The revenues of the company has grown with (CAGR) of 25.00 percent from 2017 to 2019(provisional). RIPL has booked revenue of Rs. 101.59 crore in FY2019 (Provisional) as against Rs. 68.72 crore in FY2018 and

Rs.64.62 crore in FY2017. This is mainly due to civil works contract received in last year. The operating margins increased to 39.89 per cent in FY2019 (Provisional) as compare to 33.16 per cent in FY2018 and 32.13 per cent in FY2017

Weaknesses

• Moderate working capital operations

RIPL have moderate working capital operations. The company has GCA of 175 days in FY2019 (Provisional) as against 151 days in FY2018. This is mainly due to inventory holding of 23 days as on 31 March, 2019 (Provisional) as compared to 46 days as on 31 March, 2018. The company had debtors outstanding of 116 days in FY2019 (Provisional) as compared to 80 days in FY2018. RIPL's ability to maintain its working capital cycle will remain a key rating sensitivity.

• 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.

Liquidity position

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.32.84 crore during FY2019 (Provisional), while the maturing debt obligation for the same period stands at Rs.4.50 crore. The cash accruals of the firm are estimated to increase from Rs. 37.72 crore in FY2020 to Rs.59.12 crore in FY2022 while its repayment obligation is estimated to be around Rs. 2.50 Crore each year for the period (FY 2020-2022). The firm maintains cash and bank balances of Rs.0.87 crore as on March 31, 2019 (Provisional). The current ratio of the firm stands healthy at 1.66 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the firm is likely to remain healthy over the medium term on account of healthy cash accrual to its maturing debt obligation.

Outlook: Stable

ACUITE 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	FY19(Provisional)	FY18	FY17
Operating Income	Rs. Cr.	101.59	68.72	64.62
EBITDA	Rs. Cr.	40.52	22.79	20.76
PAT	Rs. Cr.	23.15	9.00	9.47
EBITDA Margin	(%)	39.89	33.16	32.13
PAT Margin	(%)	22.79	14.26	14.66
ROCE	(%)	37.09	25.77	32.09
Total Debt/Tangible Net Worth	Times	0.35	0.48	0.38
PBDIT/Interest	Times	14.59	14.39	21.45
Total Debt/PBDIT	Times	0.61	1.03	0.73
Gross Current Assets (Days)	Days	175	151	120

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-march-2018	Cash credit	Long term	3.00	ACUITE BBB+/Stable (Reaffirmed)
	Term loans	Long term	0.82	ACUITE BBB+/Stable (Reaffirmed)
	Term loans	Long term	5.40	ACUITE BBB+/Stable (Assigned)
	Term loans	Long term	0.70	ACUITE BBB+/Stable (Assigned)
	Term loans	Long term	2.90	ACUITE BBB+/Stable (Assigned)
	Term loans	Long term	6.20	ACUITE BBB+/Stable (Assigned)
	Proposed cash credit	Long term	2.40	ACUITE BBB+/Stable (Assigned)
	Bank guarantee	Short term	35.00	ACUITE A2 (Reaffirmed)
	Letter of comfort	Short term	4.60	ACUITE A2 (Reaffirmed)
	Letter of comfort	Short term	3.66	ACUITE A2 (Reaffirmed)
	Proposed bank guarantee	Short term	15.00	ACUITE A2 (Assigned)
08-March-2018	Cash credit	Long term	3.00	ACUITE BBB+/Stable (Upgraded)
	Term loan	Long term	1.44	ACUITE BBB+/Stable (Upgraded)
	Bank guarantee	Short term	19.75	ACUITE A2 (Upgraded)
	Letter of comfort	Short term	4.60	ACUITE A2 (Upgraded)
	Letter of comfort	Short term	3.66	ACUITE A2 (Upgraded)
07-February-2017	Cash credit	Long term	3.00	ACUITE BBB/Stable (Upgraded)
	Term loan	Long term	1.44	ACUITE BBB/Stable (Upgraded)
	Bank guarantee	Short term	10.00	ACUITE A3+ (Upgraded)
	Letter of comfort-I	Short term	7.00	ACUITE A3 (Withdrawn)
	Letter of comfort-II	Short term	5.00	ACUITE A3 (Withdrawn)
	Letter of comfort-III	Short term	4.60	ACUITE A3+ (Upgraded)
	Letter of comfort-IV	Short term	3.66	ACUITE A3+ (Assigned)
	Proposed bank guarantee	Short term	9.75	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/ Stable (Upgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	3.67	ACUITE A-/ Stable (Upgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/ Stable (Upgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE A-/ Stable (Upgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	4.13	ACUITE A-/ Stable (Upgraded)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE A-/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.33	ACUITE A-/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	.40	ACUITE A-/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	9.53	ACUITE A-/ Stable (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE A-/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.60	ACUITE A2+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.66	ACUITE A2+ (Withdrawn)
Proposed bank guarantee	Not Applicable	Not Applicable	Not Applicable	9.05	ACUITE A2+ (Upgraded)

Contacts

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About Acuité Ratings & Research:

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