

Press Release

Railtech Infraventure Private Limited

August 05, 2020



Rating Reaffirmed & Withdrawn

Total Bank Facilities Rated*	Rs. 79.68 Cr.
Long Term Rating	ACUITE A- /Stable (Reaffirmed & Withdrawn)
Short Term Rating	ACUITE A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) on the Rs. 79.68 Crore bank facilities Railtech Infraventure Private Limited (RIPL). The outlook is '**Stable**'.

Further, Acuité has withdrawn the long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs. 5.68 crore bank facilities of Railtech Infraventure Private Limited. The withdrawal is on account of No due certificate and withdrawal request received from the company.

Railtech Infraventure Private Limited was incorporated in 2008 by Mr. Ajai Kumar Bansal, and is based in Delhi with corporate office in Allahabad. RIPL 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. RIPL had executed a number of various projects in regard to gauge conversion, complete track renewal, operation and annual maintenance of railway track, railway track system, depot flash-butt welding, mobile flash-butt welding etc. RPIL currently caters only to Indian Railways; however, in the past, the company has executed projects in Asian and African continent as well.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of RIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**

RIPL was incorporated in 2008 post-merger of M/s Railtech (established in 2000) and M/s Ajai Kumar (Established in 1984), thus having established 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. The extensive experience of the management has helped the company in establishing healthy relations with its customers and suppliers, which in turn has helped the company secure healthy contracts. In the past RIPL has executed projects in Asian and African continent but presently the company caters only to Indian Railways. The vast experience of the management and long association with Indian railways has resulted in healthy order book position of Rs.258.85 crore as on 30 June, 2020, thereby giving healthy revenue visibility for near to medium term.

Going forward, Acuité believes the company to benefit from its established presence, experienced management and its association with reputed suppliers to sustain their business in the near to medium term.

- **Healthy financial risk profile**

The financial risk profile of the company has remained healthy marked by high net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.91.12 Crore as on 31 March 2020 (Provisional) as against Rs.67.78 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy accretion to reserves

during the same period.

The gearing level (debt-equity) stood at 0.30 times as on 31 March 2020 (Provisional) as against 0.38 times as on 31 March 2019. The total debt outstanding of Rs.27.77 Crore as on 31 March 2020 (Provisional) comprises of long term debt of Rs.20.94 Crore, Unsecured loans from promoters of Rs.0.71 Crore and working capital borrowings of Rs.6.12 Crore. The cash accruals over the next three years through 2021 are estimated to remain in the range of Rs.34.89-42.26 Crores against repayment obligations of Rs.4.50 Crore each year for the same period. As a result, the gearing is expected to remain comfortable in the near term. The coverage indicators stood healthy marked by interest coverage ratio (ICR) of 16.01 times in FY2020 (Provisional) as against 14.19 times in FY2019. The increase in ICR is majorly on account of the significant increase in EBITDA levels. NCA/TD (Net Cash Accruals to Total Debt) ratio improved to 1.28 times in FY2020 (Provisional) as against 1.12 times in FY2019. Debt to EBITDA stood at 0.57 times in FY2020 (Provisional) as against 0.63 times in FY2019. This is mainly due to high net cash accruals, high EBITDA and low external debt during the year.

Acuité expects the financial risk profile of the company to remain healthy over the medium term on account of healthy accretion to reserves and comfortable working capital cycle, leading to lower reliance on external borrowings.

- **Sustainability in operating income and profitability**

The operating income of the company has declined by 8 percent in the FY2020 (Provisional) over FY2019. Operating Income for FY2020 (Provisional) stood at Rs.118.50 Crore as against Rs.128.73 Crore for the FY2019. Further, for FY2020, the company has booked revenue of ~Rs.24.00 Crore as of 20 July, 2020. The decline in the revenue is majorly on account of the outbreak of Covid -19 followed by lockdowns across the country. Further, the company had executed some projects under joint venture, which has led to an increase in revenues in FY2019. The EBITDA Margins have significantly improved to 40.08 percent for FY2020 (Provisional) as against 31.19 percent in FY2019. This is on account of a large number of orders executed during the year. The PAT margin increase to 20.90 percent in FY2020 (Provisional) as against 14.71 percent in FY2019 and 14.26 percent in FY2018.

Acuité expects that the operating income and profitability will sustain at a strong level on account of continuous addition of new orders in the near to medium term.

Weaknesses

- **Moderate working capital intensive nature of operations**

The working capital cycle of RIPL stood moderately intensive marked by Gross Current Assets (GCA) days of 217 for FY2020 (Provisional) as against 131 for FY2019. GCA days have increased due to a rise in debtors collection period to 134 days in FY2020 (Provisional) from 91 days in FY2019. The inventory days have also increased and stood at 47 days in FY2020 (Provisional) as against 15 days in FY2019. Further, the company's current ratio stood at 2.18 times as on 31 March, 2020 (Provisional) as against 1.65 as on 31 March, 2019. The average bank limit utilization stood at ~61% for the last 6 months ending June, 2020. Acuité believes that the working capital operations of RIPL will continue to remain intensive on account of the high level of debtor's collection period.

- **Tender-based business and customer concentration risk**

RIPL's business risk profile is partially constrained by high customer concentration on the railway department and tender based nature of operations. 100% percent of revenue comes from Railways, which exposes its turnover to any change in the number of new contracts floated by Indian Railways and its ability to successfully bid for the same.

Outlook: Stable

Acuité believes that the outlook on RIPL's rated facilities will remain Stable over the medium term on account of its promoter's extensive experience, healthy financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Material Covenant

None

Rating sensitivity

- Any deterioration in working capital leading to higher bank limits utilization

Liquidity position: Strong

Company has strong liquidity marked by high net cash accruals to its maturing debt obligations. RIPL generated cash accruals of Rs.35.45 Crore in FY2020 (Provisional) as against debt maturity obligation of Rs.6.45 Crore for the year. The cash accruals of the company are estimated to remain in the range of around Rs.34.89 Crore to Rs.42.26 Crore during FY2021-23 against the CPLTD of Rs.4.50 Crore each year for the same period. The company's working capital operations are moderately intensive, marked by Gross Current Asset (GCA) days of 217 days in FY2020 (Provisional). However, due to strong liquidity position, the company has a lower reliance on external borrowings, marked by lower bank limit utilization which stood at ~61 percent for six months ending on May, 2020.. Company maintains unencumbered cash and bank balances of Rs.6.96 Crore as on 31 March 2020 (Provisional). The current ratio stood healthy at 2.18 times as on 31 March 2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of high cash accruals against its maturity debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	118.50	128.73
PAT	Rs. Cr.	24.76	18.94
PAT Margin	(%)	20.90	14.71
Total Debt/Tangible Net Worth	Times	0.30	0.38
PBDIT/Interest	Times	16.01	14.19

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-June-2019	Cash credit	Long term	10.00	ACUITE A-/Stable (Upgraded)
	Term loans	Long term	3.67	ACUITE A-/Stable (Upgraded)
	Term loans	Long term	2.00	ACUITE A-/Stable (Upgraded)
	Term loans	Long term	1.02	ACUITE A-/Stable (Upgraded)
	Term loans	Long term	4.13	ACUITE A-/Stable (Upgraded)
	Term loans	Long term	1.15	ACUITE A-/Stable (Assigned)
	Term loans	Long term	1.33	ACUITE A-/Stable (Assigned)
	Term loans	Long term	0.40	ACUITE A-/Stable (Assigned)

	Term loans	Long term	9.53	ACUITE A-/Stable (Upgraded)
	Proposed cash credit	Long term	2.40	ACUITE A-/Stable (Upgraded)
	Bank guarantee	Short term	35.00	ACUITE A2+ (Upgraded)
	Letter of Credit	Short term	4.60	ACUITE A2+ (Withdrawn)
	Letter of Credit	Short term	3.66	ACUITE A2+ (Withdrawn)
	Proposed bank guarantee	Short term	9.05	ACUITE A2+ (Upgraded)
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 Credit	Short term	4.60	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short term	3.66	ACUITE A2 (Reaffirmed)
	Proposed bank guarantee	Short term	15.00	ACUITE A2 (Assigned)
	Cash credit	Long term	3.00	ACUITE BBB+/Stable (Upgraded)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable (Reaffirmed)
Term loan	Not Available	Not Applicable	Not Available	3.03	ACUITE A-/Stable (Reaffirmed)
Term loan	Not Available	Not Applicable	Not Available	1.32	ACUITE A-/Stable (Reaffirmed)

Term loan	Not Available	Not Applicable	Not Available	0.47	ACUITE A-/Stable (Reaffirmed)
Term loan	Not Available	Not Applicable	Not Available	0.73	ACUITE A-/Stable (Reaffirmed)
Term loan	Not Available	Not Applicable	Not Available	17.60	ACUITE A-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.48	ACUITE A-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.05	ACUITE A2+ (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	4.13	ACUITE A- (Withdrawn)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE A- (Withdrawn)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A- (Withdrawn)

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About Acuité Ratings & Research:

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