

October 07, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Term Loans	1.53	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	1.50*	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee	2.00	SMERA A4+ (Upgraded from SMERA A4)

* Buyers Credit of Rs. 1.50 crore is fully interchangeable with Letter of Credit.

SMERA has upgraded the long-term rating assigned to the abovementioned bank facilities of Railfab to '**SMERA BB**' (read as **SMERA double B**) from '**SMERA BB-**' and short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A4**'. The outlook is '**Stable**'.

To arrive at the rating, SMERA has consolidated the business and financial risk profiles of Railfab and Railtech, together referred to as the Jain Group. The consolidation is in view of the common ownership and operational linkages within the group.

The upgrade is in view of the increase in the operating margins, financial risk profile marked by improvement in the capital structure and debt protection metrics of Railfab and Railtech. The ratings also factor in the long standing association of the firms with the Indian Railways and the promoters extensive industry experience. However, the ratings remain constrained by the working capital intensive operations, tender based nature of business and exposure of the profit margins to customer concentration risk due to high dependence on railways.

Outlook: Stable

SMERA believes that Railfab and Railtech will continue to benefit over the medium term, from the promoter's extensive industry experience and association with the railways. The outlook may be revised to 'Positive' if the firms report sustained improvement in their scale of operations and profitability, resulting in higher than expected cash accruals while maintaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenues or profitability declines or if the existing financial risk profile weakens due to large working capital requirements or, if large debt-funded capital expenditure is undertaken.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the Group

The Jain Group promoted by the Punjab-based Jain family was established in 1990. The group manufactures bio-toilets, under carriage components, body shell components among others majorly for the Indian Railways Rail Coach Factories based at Kapurthala (Punjab), Raebareli (Uttar Pradesh) and Chennai (Tamil Nadu). These products are sold through its four major individual entities of the Jain Group i.e. 'Railtech', 'Railfab', 'Techfab' and 'Inovtech'.

Railfab and Railtech were established in 1990 and 1994 respectively and are the flagship companies of the Jain Group.

For FY2014-15, on provisional basis, Railfab and Railtech together reported net profit (before tax) of Rs.3.46 crore on sales of Rs.69.27 crore.

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