

Press Release

Railfab

April 24, 2017

Rating Upgraded

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|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 9.03 Cr. |
| Long Term Rating | SMERA BB+ / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 9.03 crore bank facilities of Railfab. The outlook is '**Stable**'.

Railfab, established in 1994 is engaged in the manufacture of bio-toilets, under carriage components, body shell components among others for the Indian Railways at the Rail Coach Factory based at Kapurthala (Punjab), Raebareli (Uttar Pradesh) and Chennai (Tamil Nadu). The partners are Mrs.T Nalini Jain, Mrs. Aruna Jain and Mrs. Meenu Jain.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The promoters of the Jain group have over two decades of experience in the said line of business.

- **Growth in revenue**

The operating income increased in FY2015-16 to Rs.105.59 cr from Rs.69.79 cr in FY2014-15 on account of introduction of a new product i.e. retention tank. From April, 2016 to 15th January, 2017, the group registered operating income of around Rs.111 cr.

- **Moderate financial risk profile**

The gearing level (debt-to-equity ratio) stood at 0.94 times as on 31 March, 2016 as compared to 0.72 times as on 31 March, 2015. The net worth stood at Rs.24.04 cr in FY2015-16 as compared to Rs.18.34 cr in FY2014-15. The Interest coverage ratio stood at 3.18 times for FY2015-16 as compared to 2.52 times for FY2014-15. The Debt Service coverage ratio stood at 2.66 times for FY2015-16 as compared to 2.18 times for FY2014-15.

- **Established relations with Indian Railways**

The group has established long term relations with Indian Railways.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive reflected in the gross current asset (GCA) of ~212 days for FY 2015-16 on account of high inventory days of 79 and debtor days of 90.

- **Tender based business**

The nature of business is tender based. Going forward, the group's ability to bid for large orders and to qualify for the same remains to be seen.

• Customer concentration risk

The group manufactures and supplies components only to the Railways leading to limited bargaining power in terms of pricing.

Analytical Approach

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

Outlook: Stable

SMERA believes that the group will maintain a stable outlook and continue to benefit over the medium term on account of the established presence in the industry and experienced management. The outlook may be revised to Positive in case of higher-than-expected revenue and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability.

About the Group

The Jain Group, promoted by the Punjab-based Jain family, manufactures bio-toilets, under carriage components, body shell components among others for the Indian Railways at the Rail Coach Factory based at Kapurthala (Punjab), Raebareli (Uttar Pradesh) and Chennai (Tamil Nadu). The products are sold through Railtech, Railfab, Techfab and Inovtech of the Jain group.

About the Rated Entity - Key Financials

For FY2015-16, the Jain group (Railtech and Railfab) reported PAT of Rs. 2.48 cr on operating income of Rs.105.59 cr, as compared with PAT of Rs.1.55 cr on operating income of Rs. 69.79 cr in FY2014-15. The net worth stood at Rs.24.04 cr as on March 31, 2016 against Rs.18.34 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-------------------|
| 07-Oct-2015 | Cash Credit | Long Term | INR 4 | SMERA BB / Stable |
| | Term Loans | Long Term | INR 1.53 | SMERA BB / Stable |
| | Letter of Credit | Short Term | INR 1.5 | SMERA A4+ |
| | Bank Guarantee | Short Term | INR 2 | SMERA A4+ |

| | | | | |
|-------------|----------------------------------|------------|----------|--------------------|
| 29-Aug-2014 | Cash Credit I | Long Term | INR 2 | SMERA BB- / Stable |
| | Cash Credit II | Long Term | INR 2 | SMERA BB- / Stable |
| | Term Loan I | Long Term | INR 1.49 | SMERA BB- / Stable |
| | Term Loan II | Long Term | INR 0.04 | SMERA BB- / Stable |
| | Letter of Credit/ Bank Guarantee | Short Term | INR 3.5 | SMERA A4 |

*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 | 4.00 | SMERA BB+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.53 | SMERA BB+ / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | SMERA A4+ |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 2.00 | SMERA A4+ |

Contacts

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
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ABOUT SMERA

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