

Press Release

Railfab

07 May, 2018



Rating Reaffirmed & Assigned

Total Bank Facilities Rated	Rs. 17.56 Crore
Long Term Rating	SMERA BB+/ Stable (Assigned & Reaffirmed)
Short Term Rating	SMERA A4+ (Assigned & Reaffirmed)

*refer Annexure for details

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the bank facilities of Railfab on the Rs.9.03 crore. Further, SMERA has also assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the bank facilities of Railfab on the Rs.8.53 crore. The outlook is '**Stable**'.

Railfab was established in 1994 as a partnership firm. The firm is engaged in manufacturing of bio-toilets, under carriage components, body shell components among others for the Indian Railways Rail Coach Factories based at Kapurthala (Punjab), Rae Bareli (Uttar Pradesh) and Chennai (Tamil Nadu).

About the group:

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

Key rating drivers

Strengths

Experienced management and established track record of operations:

The Jain Group was established in 1990. The Partners, Mr. Sardeep Jain, Mr. Sunil Jain, Mr. Suresh Jain, Mrs. Nalina Jain, Mrs. Aruna Jain and Mrs. Meenu Jain have around 25 years of consolidated experience in the same line of business.

Moderate financial risk profile:

The group has moderate financial risk profile marked by net worth of Rs.35.19 crore in FY2016-17 as against Rs.24.04 crore in FY2015-16. The net worth consists of unsecured loans of Rs.16.50 crore which is to be considered as quasi equity. The gearing level (debt to equity) stood at 1.06

times as on March 31, 2017. The Interest Coverage Ratio stood at 3.50 times for FY2016-17 as against 3.18 times for FY2015-16. The Debt Service Coverage Ratio stood at 2.86 times for FY2016-17 as against 2.66 times for FY2015-16.

Growth in revenues:

The group has registered growth in revenues in FY2016-17 to Rs.141.02 crore from Rs.105.59 crore in FY2015-16. However, the revenue for FY2017-18 has reduced to Rs.126.44 crore (Provisional).

Weaknesses

Tender based business:

The group deals with clients which provide orders on tender basis. The group has to bid for tenders. Going forward the group's ability to bid for large orders and qualifying for the same remains to be seen. However, the partners' experience and relationship partially mitigates this risk.

Customer concentration risk:

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

Analytical approach

SMERA has considered consolidated business and financial risk profile of Railtech and Railfab to arrive at this rating.

Outlook: Stable

SMERA believes that the performance of the group will remain 'Stable' over the medium term on account of the firms established presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability. Conversely, the outlook may be revised to negative if there is any further deterioration in the financial risk profile.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Status of non-cooperation with previous CRA:

Not Applicable

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History (Up to last three years)

Date	Name of the Facilities	Term	Size of the Issue (Rs. Crore)	Ratings/Outlook
24-Apr-2017	Cash Credit	Long Term	4.00	SMERA BB+/ Stable (Upgraded from BB/ Stable)
24-Apr-2017	Term Loan	Long Term	1.53	SMERA BB+/ Stable (Upgraded from BB/ Stable)
24-Apr-2017	Letter of Credit	Short Term	1.50	SMERA A4+ (Upgraded)
24-Apr-2017	Bank Guarantee	Short Term	2.00	SMERA A4+ (Upgraded)
07-Oct-2015	Cash Credit	Long Term	4.00	SMERA BB/ Stable (Upgraded from BB-/ Stable)
07-Oct-2015	Term Loan	Long Term	1.53	SMERA BB/ Stable (Upgraded from BB-/ Stable)
07-Oct-2015	Letter of Credit	Short Term	1.50	SMERA A4+ (Upgraded from A4)
07-Oct-2015	Bank Guarantee	Short Term	2.00	SMERA A4+ (Upgraded from A4)
29-Aug-2014	Cash Credit	Long Term	4.00	SMERA BB-/ Stable (Assigned)
29-Aug-2014	Term Loan	Long Term	1.53	SMERA BB-/ Stable (Assigned)
29-Aug-2014	Letter of Credit	Short Term	3.50	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	9.00	SMERA BB+/ Stable (Reaffirmed and Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.56	SMERA BB+/ Stable (Reaffirmed and Assigned)
Letter of Credit/ Bank Guarantee/ Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+ (Reaffirmed and Assigned)

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ABOUT SMERA

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