

October 07, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Term Loan	2.86	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	3.00 *	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee	2.00	SMERA A4+ (Upgraded from SMERA A4)
Proposed Long Term Bank Loan	0.13	SMERA BB/Stable (Assigned)

* Buyers Credit of Rs. 3.00 crore is fully interchangeable with Letter of Credit.

SMERA has upgraded the long-term rating assigned to the abovementioned bank facilities of Railtech 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 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.

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 Railtech and Railfab. 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 Railtech and Railfab 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.

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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'.

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

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

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