

## Press Release

### Mohini Transformers Private Limited

D-U-N-S® Number: 91-882-3972

October 14, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 14.25 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 14.25 crore bank facilities of MOHINI TRANSFORMERS PRIVATE LIMITED. The outlook is '**Stable**'.

MTPL was incorporated in 1994. It is currently managed by Mrs. Sunita Tekriwal, Mr. Mukesh Jain, Mr. Santosh Jain and Mr. Shlok Tekriwal. It is engaged in manufacturing and assembling distribution transformers of 16 KVA to 500 KVA.

#### About the Group

The Fairdeal Group comprises of Fairdeal Transformer and Switchgears Private Limited (FTSPL) and Mohini Transformers Private Limited (MTPL). MTPL is based at Indore in Madhya Pradesh. Both the companies are engaged in the same line of business of assembling distribution transformers.

#### Analytical Approach

Acuite has considered the consolidated business and financial risk profile of FTPL and MTPL, hereafter referred to as the Fairdeal Group (FG), on account of common management and same line of business. Extent of consolidation: Full

#### Key Rating Drivers

##### Strengths

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

The Fairdeal Group has been into existence since the incorporation of its flagship company, FTPL, in 1989. The management of the company was headed by Mr. Sudhir Tekriwal and his brother from 1989 - 2017. Currently, his wife, Mrs. Sunita Tekriwal, and Mr. Shlok Tekriwal are ably managing the business. Working in the transformers and switchgear industry, since almost 3 decades, has helped the group in establishing business relations with many state power boards. Acuite believes that experienced management and long track of operations will help the group in improving their business risk profile in the medium term.

- **Healthy order book position given the scale of operations**

The group supplies transformers to government organizations based out of Tamil Nadu, Orissa and Madhya Pradesh. The company has an order book position of roughly ~ Rs. 38 crore as on September 2019, providing revenue visibility in the near to medium term.

##### Weaknesses

- **Customer concentration risk**

The Fairdeal Group faces major customer concentration risk, with more than 85 per cent of the revenue coming from orders by Tamil Nadu Electricity Board. With the public sector undertakings under the power sector in distress, it is a likely risk to depend upon one state board for a major portion of revenue.

• **Working capital intensive operations**

The operations of Fairdeal Group are working capital intensive operations marked by Gross Current Asset (GCA) days of 193 in FY2019 as compared to 584 days for FY2018 as against 271 days for FY2017. High GCA days are due to high receivables period of 131 days in FY2019; however, improved from 417 days in FY2018 and 169 days in FY2017. Inventory days stood at 56 days as compared to 297 days in FY2018 and 97 days in FY2017. Debtor and inventory position were abnormal in FY2018 due to decline in scale of operations on account of stay on orders from TNEB.

**Rating Sensitivities**

- Ability of the group to diversify its customer base.
- Sustaining improvement in scale of operations while maintaining profitability.

**Material Covenants**

None

**Liquidity position**

The group has adequate liquidity marked by moderate net cash accruals to maturing debt obligations. The group generated cash accruals of Rs. 0.3 to 1.6 crores during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.02 to 0.08 crores for the same period. The cash accruals of the group are estimated to remain around Rs. 1.8 to 2.3 crores during 2019-21, while its repayment obligations are estimated to be around Rs. 0.2 crore per annum. The group's operations are working capital intensive and the company has kept high reliance on working capital borrowings, the cash credit limit in the group remains utilized at ~54 per cent during the last 3 months period ended August 2019. The group maintains unencumbered cash and bank balances of Rs. 0.07 crore as on March 31, 2019. The current ratio of the group stood healthy at 2.23 times as on March 31, 2019. The group is not likely to incur any major capex to be funded by external borrowing. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account no major debt funded capex plans in the medium term.

**Outlook: Stable**

Acuite believes that Fairdeal Group will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' if the financial risk profile of the group improves substantially, while improving its revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its working capital management leading to deterioration of its financial risk profile and liquidity.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	29.28	6.87	13.86
EBITDA	Rs. Cr.	3.27	0.94	1.30
PAT	Rs. Cr.	1.44	0.21	0.15
EBITDA Margin	(%)	11.17	13.70	9.39
PAT Margin	(%)	4.93	3.09	1.06
ROCE	(%)	21.11	6.74	9.77
Total Debt/Tangible Net Worth	Times	0.82	0.65	0.54
PBDIT/Interest	Times	2.84	1.98	1.37
Total Debt/PBDIT	Times	2.30	5.25	2.80
Gross Current Assets (Days)	Days	193	668	271

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

Not applicable

**Any other information**

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*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	3.75	ACUITE BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4

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### About Acuité Ratings & Research:

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