

Press Release

Mohini Transformers Private Limited

April 21, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.14.25 Cr.
Long Term Rating	ACUITE BB+/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB+** (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+** (**read as ACUITE A four plus**) on the Rs.14.25 crore bank facilities of Mohini Transformers Private Limited (MTPL). The outlook is '**Stable**'.

About the rated entity

Mohini Transformers Private Limited is an Indore based company 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 the business of manufacturing and assembling distribution transformers of 16 KVA to 500 KVA.

About the group Company

Fairdeal Transformers and Switchgears Private Limited (FTSPL) is an Indore based company incorporated in 1989 by Mr. Sudhir Tekriwal and his brother. The company is currently managed by his wife, Mrs. Sunita Tekriwal and his son, Mr. Shlok Tekriwal. It is engaged in the business of manufacturing and assembling distribution transformers of 16 KVA to 500 KVA.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of FTSPL 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

• Experience management

The group has been into existence since the incorporation of its flagship company, MTPL, in 1994. The management of the company was headed by Mr. Sudhir Tekriwal and his brother. Currently, his wife, Mrs. Sunita Tekriwal, and son Mr. Shlok Tekriwal and Mr. Mukesh Jain, Mr. Santosh Jain 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.

Acuité believes that the group will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

• Moderate financial risk profile

The financial risk profile of the group is moderate marked by moderate net worth, moderate gearing (debt-equity) and debt protection metrics. The tangible net worth stood at Rs.11.00 crore (includes Rs.3.39 crore of quasi equity) as on March 31, 2020 as against Rs.9.39 crore (includes Rs.3.21 crore of quasi equity) as on March 31, 2019. The total debt of the group stood at Rs.5.56 crore includes Rs.1.07 crore of long term debt, and Rs.4.49 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood at 0.51 times as on March 31, 2020 as compared to 0.78 times as on March 31, 2019. Interest Coverage Ratio (ICR) stood at 2.46 times for FY2020 as against 2.84 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 2.02

times in FY2020 as against 2.40 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood high at 0.83 times as on March 31, 2020 as against 1.10 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.31 times for FY2020 as against 0.22 times for FY2019.

Acuité believes that the financial risk profile of the group is expected to remain at the same level over the medium term.

Weaknesses

- **Working capital intensive operations**

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) days of 164 in FY2020 as compared to 162 days for FY2019. High GCA days are due to high receivables period of 94 days in FY2020 as against 109 days in FY2018. Inventory days stood at 61 days in FY2020 as compared to 46 days in FY2019. The average bank limit utilization remained low at 28 percent for the past trailing 6 months ended February 2021.

Acuité believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

- **Customer concentration risk**

The 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.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.0.35-1.75 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.05-0.70 crore over the same period. The group's working capital operation is intensive marked by Gross Current Asset (GCA) of 164 days in FY2020 as against 162 days in FY2019. The group maintains an unencumbered cash and bank balances of Rs.0.24 crore as on March 31, 2020. The current ratio of the group stood at 2.00 times as on March 31, 2020. The average bank limit utilization stood low at around 28 percent for the last 6 months ended February 2021.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	33.88	34.93
PAT	Rs. Cr.	1.43	1.44
PAT Margin	(%)	4.21	4.13
Total Debt/Tangible Net Worth	Times	0.51	0.78
PBDIT/Interest	Times	2.46	2.84

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jan-2021	Cash Credit	Long Term	3.75	ACUITE B+ (Downgraded; Withdrawn & Indicative)
	Bills Discounting	Short Term	6.00	ACUITE A4 (Withdrawn & Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Withdrawn & Indicative)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Withdrawn & Indicative)
14-Oct-2019	Cash Credit	Long Term	3.75	ACUITE BB-/Stable (Assigned)
	Bills Discounting	Short Term	6.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Assigned)

***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 (Assigned)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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