

Press Release

Mohini Transformers Private Limited

August 11, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	12.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.12.50 crore bank facilities of Mohini Transformers Private Limited (MTPL). The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for Reaffirmation

The rating assigned takes into consideration the established track record of the group and extensive experience of the promoters in the industry. Further, the rating also factors in the sustained growth in scale of operations over the years and adequate liquidity position. However, these strengths are partially offset by the intensive nature of working capital operations, moderate financial risk profile and customer concentration risk

About Company

Mohini Transformers Private Limited (MTPL) 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 manufacturing, assembling, and distributing transformers of 16 KVA to 500 KVA.

About the Group

Incorporated in 1994, Fairdeal Group is engaged in the business of manufacturing and assembling distribution transformers of 16 KVA to 500 KVA. The group is promoted by Mrs.Sunita Tekriwal and her son, Mr. Shlok Tekriwal. The group consists of two companies- Fairdeal Transformers and Switchgears Private Limited (FTSL) and Mohini Transformers Pvt Ltd (MTPL) and both are engaged in manufacturing and assembling distribution transformers.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profile of FTSP and MTPL,

hereafter referred to as the Fairdeal Group (FG), on account of common management and same line of business.

Key Rating Drivers

Strengths

Experienced management

The group has been into existence since the incorporation of its flagship company, FTSPL, in 1989. 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 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.

Improvement in operating performance

Fairdeal Group has recorded a strong performance in FY2022. The revenues doubled from Rs.26.33 crore in FY2021 to Rs.58.99 in FY2022. Such growth comes at the back of increased demand from state power utilities post covid. The group supplies majorly to State power utilities in Tamil Nadu and Maharashtra. In FY2022, it has also started supplying to state power utilities in Madhya Pradesh. The operating margin of the group dropped to 9.36 percent in FY2022 from 12.09 percent in FY2021. It is to be noted that the group has limited ability to pass on the increase in cost to its customers as majority of the customers are state power utilities and pricing is fixed at the time of bidding. The power utilities approve only certain percentage of the price variation (increase in cost) and bills for the same are raised post approval of such price variation. PAT margin also dropped marginally at 3.58 percent in FY2022 as against 4.03 percent in FY2021. The group also has orders of Rs. 238 crores to be executed in FY2023 and FY2024. Acuité believes that the business risk profile of the company will continue to improve with the healthy order book and healthy demand expected from the state power utilities.

Weaknesses

Average Financial Risk profile

The financial risk profile of the group stood moderate marked by modest net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood moderate at Rs 13.29 crore as on March 31, 2022 as against Rs.11.19 crore as on March 31, 2021. The gearing (debt-equity) stood at 1.77 times as on March 31, 2022 as against 0.79 times as on March 31, 2021. Total debt of the group stood at Rs.23.59 crore includes Rs.2.71 crore of long term debt, Rs. 0.48 crores of USL from directors/promoters and Rs.20.40 crore of short term debt as on March 31, 2022. Increase in short term debt is on account of increased utilisation of bill discounting limits. Debt protection metrics stood comfortable with Interest Coverage Ratio stood at 2.25 times for FY2022 as against 2.34 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 1.40 times in FY2022 as against 1.38 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.15 times as on March 31, 2022 as against 1.48 Acuité Ratings & Research Limited www.acuite.in times as on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.11 times for FY2022 as against 1.48 times for FY2021. Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of healthy growth in scale of operations with moderate profitability and no major debt funded capex plan.

Intensive Working capital management

The working capital management of the group is intensive marked by GCA days of 237 days in FY2022 as against 323 days in FY2021. The high GCA days are driven by high debtor collection period. The group supplies transformers to state power utilities majority of it being to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). Payments from TANGEDCO are usually delayed by 8-9 months and hence the debtor collection period stood at 190 days in FY2022 as against 222 days in FY2021. Supply to state power utilities happen

monthly. The inventory days stood at 38 days in FY2022 as against 75 days in FY2021. Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

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 comfortable liquidity marked by adequate net cash accruals to its maturing debt obligations. Net cash accruals of Rs.2.49 crore in FY2022, while its maturing debt obligations were Rs.1.07 crore over the same period. Net cash accruals are expected to be in the range of Rs. 8.90-7.48 Cr as against debt obligation of Rs. 0.70-1.00 Cr in the medium term, Unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2022. The current ratio of the group stood at 1.49 times as on March 31, 2022. The average bank limit utilization stood low at around 62 percent for the last 6 months ended May 2022. Acuité believes that the liquidity of the company will continue to remain adequate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.99	26.33
PAT	Rs. Cr.	2.11	1.06
PAT Margin	(%)	3.58	4.03
Total Debt/Tangible Net Worth	Times	1.68	0.79
PBDIT/Interest	Times	2.25	2.34

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jul 2022	Letter of Credit	Short Term	1.00	ACUITE A4+ (Withdrawn)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Withdrawn)
	Bills Discounting	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.75	ACUITE BB+ (Withdrawn)
06 May 2021	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.75	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.50	ACUITE BB+ Stable (Assigned)
	Bills Discounting	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Reaffirmed)
21 Apr 2021	Cash Credit	Long Term	3.75	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	6.00	ACUITE A4+ (Assigned)
04 Jan 2021	Cash Credit	Long Term	3.75	ACUITE B+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Bills Discounting	Short Term	6.00	ACUITE A4 (Withdrawn and Issuer not co-operating*)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Withdrawn and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Withdrawn and Issuer not co-operating*)
14 Oct 2019	Cash Credit	Long Term	3.75	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	6.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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