

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 26.80 Cr to Mohun Rail Components Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan facilities by Canara Bank for Mohun Rail Components Private Limited ('MRCPL' or 'the company').

Facilities (Existing)	Limits (₹ Cr)	Tenure	Ratings
OCC*	10.00	Long Term (Fund Based)	<b>BWR BB-</b> (Pronounced BWR Double B Minus)  <b>Outlook -Stable</b>
Term Loan	3.80		
FLC/ILC-DA/DP &BG	5.00	Short Term (Non-Fund Based)	<b>BWR A4</b> (Pronounced BWR A Four)
Financial Guarantee	8.00		
<b>Total</b>	<b>26.80</b>	<b>( INR Twenty Six Crores and Eighty Lakhs only)</b>	

\*OBB of Rs6.00 Cr being sublimit of OCC.

BWR has principally relied upon the audited financial results up to FY13, provisionals of FY14 & projections of FY15, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, experience of the promoters in the railway components industry, well reputed customers like BEML, Rail Coach Factory, and increase in revenue in FY13. Rating has also factored in demand for Bio Toilets and current order book from Lakshadweep Government. However the rating is constrained by low scale of operations, small net worth, stretched liquidity due to high levels of receivables & inventories, and high gearing level.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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## **Background:**

Mohun Rail Components Private Limited (MRCPL) is an ISO 9002:2008 certified company incorporated in 1991 under the leadership of Mr. Amandeep Singh. Company is located in Kapurthala, Punjab with 71 employees. MRCPL is engaged in the manufacturing of Railway Components like Seats, Berth, Doors, Air-conditioning systems, Windows, Honeycomb Panel, Water Vessel and various sheet metal components. Company also provides laser cutting services to OEMs as well as other customers in the furniture & interior decoration and recreational industries. Company's major products include Bio Toilet System & Biodegrade Solid Waste for railways and they started fitting these systems in their coaches. Product got acceptance in other areas also for which they had received orders from UT of Lakshadweep for the supply and installation of Bio Toilet system. Company's major customers are Rail Coach Factory (RCF), BEML and Integral Coach Factory. Company gets order on regular basis through tender basis. Major raw materials consumed by the company are Mild Stainless Steel Sheets, Recron, Compress Board, Fibre Glass, EPDM Rubber, toughened glass etc.

MRCPL has three sister concerns namely Mohun Singh & Company, Mohan Tech and Touchwood Furniture.

## **Management Profile:**

Mr. Jaspal Singh is the Managing Director of the company. Mr. Jaspal Singh is a graduate and has a professional experience of 25 years in Railway components business. Presently, he holds 31.90% stake. Mr Joginder Singh is another Director of the Company. He has over 25 years of experience and manages day to day activities of the company. Other shareholders of the company are family members.

## **Financial Performance:**

The company's revenue from operations has increased by 26.35 % from ₹ 18.82 Crs in FY12 to ₹ 23.78 Crs in FY13. The operating margins have decreased from 2.52 % in FY12 to 0.84 % in FY13. PAT has declined from ₹ 0.43 Crs in FY12 to ₹ 0.18 Crs in FY13 mainly due to high operating expenses. The tangible net worth stood at ₹ 4.30 Crs as at March 31, 2013 as against ₹ 4.11 Crs as on March 31, 2012. The inventory and receivables holding levels are high, which results in extended working capital requirement. The main borrowing of the company relates to working capital facilities from Canara Bank, and the ratio of Total Debt: Tangible Net worth was high at 4.18 X in FY13.

On provisional basis, the company has reported sales of ₹ 24.89 Cr for the period April 2013 - March 2014.

### Rating Outlook:

The company has a good order book position, and the outlook of the company's is expected to be stable during the current year. The company's ability to expand its scale of operations by successfully executing the orders, improve its margin levels, infuse more funds for reducing gearing, and manage its inventory and working capital efficiently – especially by reducing collection period - would be key rating sensitivities.

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