

MRT Signals Limited

April 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable;
Long Term / Short Term Bank Facilities	161.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable / CARE A3+;

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE) had, vide its press release dated October 31, 2023, placed the ratings of MRT Signals Limited (MRT) under the 'issuer non-cooperating' category as MRT had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MRT continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and letter/email dated April 15, 2024, and April 18, 2024. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the rating of MRT takes into consideration the healthy liquidity profile of the company marked by improvement in operating cycle and resulting in healthy cash flow from operations in FY23, surplus cash and liquid investments as on March 31, 2023. The above along with a comfortable capital structure adds to the strong financial risk profile of the company. Furthermore, the long track record of operations of the company with experienced promoters enable it to maintain a strong relationship with its suppliers and main customer- The Indian Railways, albeit customer and supplier concentration risk. The ratings, however, continue to be constrained by modest scale of operations, working capital intensive nature of business, tender-based nature of operations in railway signalling industry.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations

The scale of operations has declined to Rs.402.61 crores in FY23 vis-à-vis Rs.429.88 crore in FY22. This is the reason of decreased operating margins with PBILDT margin declining to 15.62% in FY23 as compared to 18.93% in FY22.

Working capital intensive nature of business

The operations of the company are working capital intensive due to tender based and medium-term nature of contracts with milestone-based payments. MRT needs to furnish earnest money deposits (EMD) during the bidding process and a part of the sales proceeds are also withheld in the form of retention money. The collection period is high on account of money held as retention, however, collection period which had spiked in FY21, due to overall lower and uneven turnover during FY21, had improved from 122 days to 79 days in FY23. Even with an overall longer repayment cycle, counterparty risk is very low and payments are being received in a timely manner.

Tender-based nature of operations

MRT receives most of its work orders from Indian Railways. All these are tender-based and the revenues are dependent on the MRT's ability to bid successfully for these tenders. There are several organized players operating in the segment due to which

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

there is competition. However, the promoters' long industry experience in executing railway signalling contracts for Indian Railways mitigates the risk to some extent.

Key strengths

Long track record of operations with experienced promoters

The promoter of MRT, Mr. Mahendra Kumar Anchalia, has more than three decades of experience in the field of signalling and telecommunications work for Indian Railways. He is assisted by Mr. Ankit Anchalia and a team of experienced personnel. Long experience of the promoters in this industry and satisfactory track record has led to the established position of the company as a contractor for Indian Railways. The promoters have been engaged in this business through sole proprietorship firm, M/s MR Trading Company since 1986, which was subsequently converted into partnership firm in 2004 and then into limited company in 2006.

Strong relationship with its main customer and suppliers, albeit customer and supplier concentration

MRT installs signalling and telecommunication equipment for the Indian Railways on a turnkey basis. While bidding for projects, it ties up with a technology partner for supply of equipment. The company also has tie-ups with its key suppliers for solid state interlocking signal systems and for digital axle counters. Though the company has no formal agreement, the tie-ups are a result of longstanding associations. However, there is customer concentration with majority of contracts from Indian Railways and supplier concentration with top two suppliers constituting 35% of the purchases.

Comfortable capital structure

The capital structure of the company continued to remain comfortable with overall gearing improving from 0.15x as on Mar. 31, 2022, to 0.10x as on Mar 31, 2023. Entire term debt of company comprises unsecured loans from promoters, group companies and body corporates having no defined repayment schedule. Furthermore, even with increase in scale the company's reliance on external debt has been low, due to efficient management of working capital cycle. Same had also resulted in increase in cash flow from operations. Debt Equity ratio slightly improved to 0.10x in FY23 as compared to 0.12x in FY22.

Liquidity: Strong

The liquidity position of the company is strong marked gross cash accruals of Rs.48.42 crore in FY23 against negligible term debt repayment obligation. The Current ratio is comfortable at 4.84x in FY23. The Interest coverage ratio slightly improved to 10.79x in FY23 as compared to 10.85x in FY22.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Incorporated in 1986 as a sole proprietorship firm, MRT is engaged in carrying out signalling and telecommunications work for Indian Railways on a turnkey basis.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	429.88	402.61
PBILDT	81.36	62.89
PAT	58.28	47.19
Overall gearing (times)	0.15	0.10
Interest coverage (times)	10.85	11.01

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	161.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING * (31-Oct-23)	1)CARE A-; Stable (04-Aug-22)	1)CARE A-; Stable (06-Sep-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST ^	161.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING * (31-Oct-23)	1)CARE A-; Stable / CARE A2+ (04-Aug-22)	1)CARE A-; Stable / CARE A2 (06-Sep-21)

*Issuer did not cooperate; based on best available information.

^LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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