



SMERA RATINGS LIMITED

Maha Hydraulics Private Limited (MHPL)

*Rating
Rationale*

April 07, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B/Stable (Assigned)
Letter of Guarantee	7.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Maha Hydraulics Private Limited (MHPL). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management and established relations with customers. The ratings are also supported by the company's moderate debt protection metrics. However, the ratings are constrained by the company's small-scale operations and low capacity utilisation level. The ratings are also constrained by the company's exposure to customer concentration risk.

MHPL, incorporated in 1999, is a Tamil Nadu-based company engaged in manufacturing of hydraulic motors and pumps. MHPL benefits from its experienced management. Mr. Ramaswamy Venkatakrishna and Mr. Babu Ramesh, promoters of MHPL, have 14 years of experience in the company's line of business. MHPL also benefits from its long-standing relations with customers. The company's moderate debt protection metrics are reflected in debt-equity ratio of 1.11 times (as on March 31, 2014), interest coverage ratio of 3.03 times and net cash accruals to total debt (NCA/TD) ratio of 0.20 times in FY2013-14 (refers to financial year, April 01 to March 31).

MHPL has small-scale operations with operating income of Rs.28.33 crore in FY2013-14. The company's capacity utilisation is low at ~30 per cent during the period under study. MHPL is exposed to customer concentration risk as the company derives ~55 per cent of its revenues from two clients. Slowdown in the key end-user industries will have an adverse impact on the company's financial profile.

Outlook: Stable

SMERA believes MHPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving sustained improvement in profit margins and working capital management. The outlook may be revised to 'Negative' in case of decline in the company's revenues and operating profit margin, or in case of stretch in the company's working capital cycle.

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About the company

MHPL, incorporated in 1999, is a Tamil Nadu-based company promoted by Mr. Ramaswamy Venkatakrishna and Mr. Babu Ramesh. MHPL undertakes manufacturing of hydraulic motors and pumps.

For FY2013-14, MHPL reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.28.33 crore, as compared with PAT of Rs.1.07 crore on operating income of Rs.19.87 crore in FY2012-13. The company's net worth stood at Rs.6.85 crore as on March 31, 2014, as compared with Rs.6.04 crore a year earlier.

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