

Midco Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BBB+/Stable (Reaffirmed)
Cash Credit	9.00	SMERA BBB+/Stable (Assigned)
Cash Credit	9.00	SMERA BBB+/Stable (Withdrawn)
Letter of Credit	15.00	SMERA A2 (Reaffirmed)
Bank Guarantee	148.00	SMERA A2 (Reaffirmed)
Bank Guarantee	3.00	SMERA A2 (Assigned)
Bank Guarantee	3.00	SMERA A2 (Withdrawn)

SMERA has reaffirmed the long term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) and short term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs.168.00 crore bank facilities of Midco Limited (MIDCO). SMERA has also assigned long term rating of BBB+/Stable and short term rating of SMERA A2 on the Rs.12.00 crore bank facilities. Further, SMERA has withdrawn the long term rating of BBB+/Stable and short term rating of SMERA A2 on the Rs.12.00 crore bank facilities of MIDCO since there are no dues outstanding as certified by the banker. The outlook is '**Stable**'.

The ratings are supported by the company's established operations, strong market position and experienced management. The ratings also draw comfort from the company's strong financial risk profile and healthy order book position. However, the ratings are constrained by the high dependence on oil marketers and susceptibility to competitive pressures. The ratings also factor in the oil price volatility and unfavourable industry regulations.

Update

MIDCO registered moderate revenue of Rs.191.40 crore in FY2015-16 (provisional) as compared to Rs.205.56 crore in FY2014-15 due to the tender based business of the company. The profit margins have remained stable with EBIDTA margin of 15.44 per cent in FY2015-16 as compared to 15.23 per cent in FY2014-15. The PAT margins continue to be negative at 6.11 per cent for FY2015-16 due to amortisation of goodwill as on March 31, 2016 which amounted to Rs. 40.51 crore. The financial risk profile of the company continues to be above average marked by ICR of 30.87 times and DSCR of 20.22 times as on March 31, 2016 as compared to ICR of 11.38 times and 11.05 times DSCR as on March 31, 2015. Further the networth stood at Rs.119.87 crore as on March 31, 2016 as compared to Rs.91.94 crore as on March 31, 2015. As on date, the orders in hand stood at Rs.218.57 crore.

MIDCO, incorporated in 1949, is a Mumbai-based company engaged in the manufacturing and servicing of fuel dispensing units. The company also undertakes turnkey projects for installation and commissioning of auto gas pumps and is one of the largest suppliers of fuel dispensing units in India. MIDCO has integrated operations with presence across the value chain, including designing, manufacturing, installation and servicing. The company has widespread service network of 23 offices across India.

MIDCO benefits from its experienced management. Mr. Neil Shah, Director, is a second-generation entrepreneur with around 10 years of experience in the company's line of business.

The company competes with international players such as Gilbarco Veeder-Root India Private Limited and Tokheim India Private Limited. However, the business is susceptible to sharp hike in oil prices and adverse changes in regulations, which may affect the capex plans of oil marketers. MIDCO's working capital cycle is stretched at 112 days as on March 31, 2015, given the extended collection period and funds locked-up in retention money.

Rating Sensitivity Factors

- Investment in technology and new products
- Capacity expansion
- Lower than expected order inflow and operating profit margin
- Early redemption of preference share

Outlook-Stable

SMERA believes MIDCO will maintain a stable outlook in the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues while maintaining healthy operating profit margin. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure, or lower-than-expected net cash accruals.

Criteria applied to arrive at the ratings

- Manufacturing Entities

About the Company

The Mumbai-based MIDCO incorporated in 1949 undertakes manufacturing and servicing of fuel dispensing units. The company also executes turnkey projects for installation and commissioning of auto gas pumps at its production facility at Vatva, Ahmedabad. The installed capacity stands at 50,000 nozzle pumps per annum.

The company has issued 0.01 per cent non-cumulative redeemable preference shares (non-convertible) of Rs.265.10 crore as purchase consideration for the engineering business of Mercantile and Industrial Development Co Limited. The engineering business was demerged and transferred to a new entity – Shuffle Realtors Pvt. Ltd. which was renamed Midco Limited. The preference shares are redeemable within 20 years. The goodwill arising on the acquisition amounts to Rs.204.75 crore.

For FY2014-15 the company reported loss of Rs.13.97 crore on an operating income of Rs.203.97 crore due to amortisation amounting to Rs.40.40 crore on the goodwill as on March 31, 2015. For FY2013-14, MIDCO reported profit after tax (PAT) of Rs.18.75 crore on revenue of Rs.194.52

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
14 May, 2015	Cash Credit	14.00	SMERA BBB (Assigned)	-	Stable
	Letter of Credit	15.00	-	SMERA A2	-
	Bank Guarantee	151.00	-	SMERA A2	-

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ABOUT SMERA

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