

M.V.M. Perfect Tool Makers Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.25	SMERA BB-/Stable (Assigned)
Term Loan	0.62	SMERA BB-/Stable (Assigned)
Term Loan	0.70	SMERA BB-/Stable (Assigned)
Term Loan	0.46	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.25	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of **SMERA A4+ (read as SMERA A four plus)** on the above mentioned Rs.6.28 crore bank facilities of M.V.M. Perfect Tool Makers Private Limited (MVM). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, reputed customer base and above average financial risk profile. However, the ratings are constrained by the company's small scale of operations and declining profit margins. The ratings also note that the profitability is susceptible to movement in raw material prices.

MVM benefits from its experienced management. Mr. R. Mahendran, Managing Director has more than two decades of experience in the machining industry. The company caters to reputed customers across industries including wind power and heavy engineering. MVM's financial risk profile is above average marked by low gearing of 0.75 times as on 31 March, 2015 and interest coverage ratio of 3.05 times for FY2014-15.

MVM operates on a small scale with revenues of Rs.15.94 crore booked in FY2014-15. In FY2015-16, the company registered revenue of Rs.17 crore (provisional). The profit margins of the company are susceptible to fluctuations in raw material prices. The EBITDA margin declined to 10.56 per cent in FY2014-15 as compared to 12.73 per cent in FY2013-14.

Rating Sensitivity Factors

- Scaling up of operations
- Maintaining profit margins

Outlook-Stable

SMERA believes that the outlook on MVM's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

MVM (an ISO 9001:2008 certified company), incorporated in April 2008 manufactures equipments and components for several industries including energy (wind power), heavy engineering, automobile and construction.

For FY2014-15, MVM registered profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.15.94 crore as against profit after tax of Rs.0.43 crore on operating income of Rs.10.33 crore in FY2013-14.

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ABOUT SMERA

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