

### MTAR Technologies Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	30.00	SMERA B/Stable (Assigned)
Proposed EPC/PCFC	14.00	SMERA A4(Assigned)
Letter of Credit	5.00	SMERA A4(Assigned)
Bank Guarantee	85.00	SMERA A4(Assigned)

SMERA has assigned long term rating of **SMERA B (read as SMERA B)** and short term rating of '**SMERA A4' (SMERA A four)** to the Rs.134 crore bank facilities of MTAR Technologies Private Limited (MTPL). The outlook is '**Stable**'. The ratings are constrained by the working capital intensive business, modest scale of operations, weak profitability and high customer concentration risk. However, the ratings are strengthened by the experienced management, high entry barriers in the industry, long term relations with clients and moderate capital structure.

MTPL manufactures state-of-the art machined components. The ratings are constrained by the high Gross Current Asset (GCA) days of 314 in FY2016 against 348 days in FY2015 due to the inherent risks associated with the tender based business. The company has small scale of operations. The revenue declined from Rs.84.15 crore in FY2015 to Rs.81.79 crore in FY2016 and the Return on Capital Employed continued to remain low at 2.73 per cent in FY2016 against 0.12 per cent in FY2015.

The rating is also constrained by customer concentration risk. The top 10 customers bring in over 97 per cent of revenue in FY2016. Besides, more than 50 per cent sales are made to Nuclear Power Corporation of India Limited.

However, the ratings are supported by the extensive experience of the management. The company also benefits from its long term relationship with Blackstone Group, USA, Vikram Sarabhai Space Centre and the Nuclear Power Corporation of India Limited. Further, the high entry barriers in the industry, stringent regulations and technical standards limit the degree of overall competition in the industry.

#### Outlook- Stable

SMERA believes that MTPL will maintain a stable outlook in the medium term on account of its experienced management and moderate capital structure. The outlook may be revised to 'Positive' on account of improvement in the overall profitability and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the debt protection metrics with increase in gearing.

#### Rating Sensitivity Factors

- Significant and consistent increase in the scale of operations
- Decline in the Gross Current Asset days
- Deterioration in the debt protection metrics

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

MTPL, established in 1970 manufactures precision machined components for organisations including Vikram Sarabhai Space Centre and the Nuclear Power Corporation of India Limited. In FY2016, MTPL reported profit after tax (PAT) of Rs.0.47 crore on net operating income of Rs.81.79 crore against a net loss of Rs.7.25 crore on a net operating income of Rs.84.15 crore.

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### ABOUT SMERA

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