Press Release

08 December, 2017

MTAR Technologies Private Limited (MTPL)

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 148.00 cr
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

 # Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B' (read as SMERA B)** and the short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.148.00 crore bank facilities of MTAR Technologies Private Limited (MTPL). The outlook is **'Stable'**.

MTPL, established in 1970 manufactures precision machined components for organisations including Vikram Sarabhai Space Centre and the Nuclear Power Corporation of India Limited.

Key Rating Drivers

Strengths

Experienced management

MTPL commenced operations from 1970. The company, promoted by Mr. P. Srinivasa Reddy, Mr. Vamshidhar Reddy K, and Ms. Shalini K among others, has investments from Blackstone GPV Capital Partners (Mauritius) with shareholding of ~33 per cent as on 31 March, 2017. The management possesses extensive experience in the aforementioned business which has enabled the company forge healthy relations with customers and suppliers. SMERA believes that MTAR will continue to benefit from its experienced management and established relations with customers.

Reputed clientele base

MTPL caters to a reputed client base including Department of Space (ISRO), Defence Research and Development Organisation (DRDO), Nuclear Power Corporation of India Limited among others.

Weaknesses

Weak financial risk profile despite healthy net worth

The financial risk profile of MTAR is weak despite a healthy net worth. The net worth stood at Rs.193.50 crore as on 31 March, 2017 compared to Rs.208.29 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.15 times as on 31 March, 2017 compared to 0.12 times as on 31 March, 2016. The total debt of Rs.29.12 crore as on 31 March, 2017 consists of only working capital facilities. The interest coverage ratio stood at (2.11) times for FY2016-17 and 1.92 times for FY2015-16. The total outside liabilities to Tangible net worth (TOL/TNW) stood at 0.52 times for FY2016-17.

The company incurred EBIDTA loss of Rs.12.00 crore with the writing off of bad debts, inventory worth Rs.4.55 crore and unbilled revenue of Rs.29.62 crore for FY2016-17.

Working capital intensive business

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 450 for FY2016-17 compared to 483 days for FY2015-16. This is due to elongated debtor and inventory days of 140 and 102 respectively for FY2016-17. The creditors stood high at 142 days for FY2016-17. Further, the bank limit has been fully utilised in the last three months ended October, 2017.

Tender based business

The company deals with government organisations and generates around 80 percent revenue from tender-based business. However, the promoter's extensive experience and relations with its clientele helps partially mitigate the risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MTPL to arrive at the rating.

Outlook: Stable

SMERA believes that MTPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained improvement in operating scale while maintaining a comfortable liquidity position and healthy financial risk profile. The outlook may be revised to 'Negative' in case of decline in revenues, profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016–17, MTPL reported net loss of Rs.15.06 crore on operating income of Rs.100.76 crore, compared with profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.81.61 crore in FY2015–16. The net worth stood at Rs.193.50 crore as on 31 March, 2017 compared to Rs.208.29 as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Nov, 2017	Cash Credit	Long Term	30.00	SMERA B (Indicative)
	Proposed EPC/PCFC	Short Term	14.00	SMERA A4 (Indicative)
	Letter of Credit	Short Term	5.00	SMERA A4 (Indicative)
	Bank Guarantee	Short Term	85.00	SMERA A4 (Indicative)
19-Sept, 2016	Cash Credit	Long Term	30.00	SMERA B / Stable (Assigned)
	Proposed EPC/PCFC	Long Term	14.00	SMERA A4 (Assigned)
	Letter of Credit	Long Term	5.00	SMERA A4 (Assigned)
	Bank Guarantee	Long Term	85.00	SMERA A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA B / Stable (Reaffirmed)
EPC/PCFC^	Not Applicable	Not Applicable	Not Applicable	28.00 (Enhanced from Rs.14.00 crore)	SMERA A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	85.00	SMERA A4 (Reaffirmed)

^With a sublimit of Rs. 10.00 towards Export Bill Rediscounting/Foreign Bill Discounting Limit

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ABOUT SMERA

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