

Mahalaxmi Dhatu Udhog Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit*	12.00	SMERA B+/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)

**Sublimit as Packing Credit/Foreign bill purchase/ Foreign bill discounting (up to 180 days) to the extent of Rs. 2.00 crore.*

**Sublimit as Import/Inland Bank guarantee/Letter of credit (180 days) to the extent of Rs. 3.00 crore.*

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the above mentioned Rs.16.00 crore bank facilities of Mahalaxmi Dhatu Udhog Private Limited (MDU). The outlook is '**Stable**'.

The ratings draw comfort from the promoter's extensive industry experience and moderate financial risk profile. However, the ratings are constrained by the moderate scale of operations and highly intensive working capital cycle. The ratings also note the highly competitive and fragmented steel industry and cyclicity in the end user industries.

MDU is a Nagpur-based company established in 1996 by the Rathi family that has been into manufacturing of steel angles for about two decades. The company has moderate scale of operations with operating revenue of Rs. 39.62 crore for FY2016 (Provisional) and Rs.36.90 crore for FY2015. Also, the operations are highly working capital intensive with Gross Current Assets days of 352 days for FY2015 and 306 days for FY2016 (Provisional) due to stretched receivables and high inventory levels.

MDU's financial risk profile is moderate marked by comfortable gearing of 0.42 times in FY2016 (Provisional) and Interest coverage ratio (ICR) of 1.44 times for FY2016 as against 1.27 times for FY2015. The net worth stood at Rs.24.96 crore for FY2016 including quasi equity of Rs.9.41 crore as on March 31, 2016 (Provisional).

Rating Sensitivity Factors

- Substantial and sustainable increase in revenue
- Improvement in profit margins
- Effective working capital management

Outlook-Stable

SMERA believes that MDU will maintain a stable outlook and benefit from its promoter's extensive industry experience. The outlook may be revised to 'Positive' if the company improves its financial risk profile while registering revenue growth and improvement in profitability apart from effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in its financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

MDU is a Nagpur-based company established by the Rathi family in 1996. The company is engaged in the manufacture of steel angles and has a production capacity of 24,000 metric tonnes per annum. The company caters to transmission tower manufacturers. The day-to-day operations are managed by Mr. Krishna Rathi and Mr. Varun Rathi, Directors.

For FY2015-16 (Provisional), the company reported net profit of Rs.0.47 crore on operating income of Rs.39.62 crore, as compared to net profit of Rs.0.21 crore on operating income of Rs.36.90 crore in the previous year. The net worth stands at Rs.24.96 crore as on March 31, 2016 against Rs.24.80 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.