Mahalaxmi Dhatu Udhyog 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 Udhyog 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 cyclicality 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.

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ABOUT SMERA

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