

Modern Transformers Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	8.50	SMERA BBB-/Stable (Assigned)
Proposed Cash Credit	6.50	SMERA BBB-/Stable (Assigned)
Bank Guarantee	28.00	SMERA A3 (Assigned)
Proposed Non-Fund Based Limits	7.00	SMERA A3(Assigned)

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.50.00 crore bank facilities of Modern Transformers Private Limited (MTPL). The outlook is '**Stable**'.

The ratings draw comfort from the extensive experience of the promoters in the electrical industry and healthy relations with business partners. The ratings are further supported by the prudent financial risk profile and healthy order book. However, the ratings are constrained by the moderate scale of operations, exposure to fluctuations in raw material prices and limited product diversification. SMERA also notes that the company operates in a highly competitive power and transmission industry.

MTPL, established in 1989 manufactures copper and aluminium wound transformers. The promoter, Mr Dinesh Agarwal, possesses experience of more than two decades in the electrical and electronics industry. The company has healthy relations of over 10 years with business partners (government and private). The prudent financial risk profile of the company is marked by low gearing of 0.29 times in FY2015-16 as compared to 0.27 times a year earlier. MTPL has healthy coverage ratio of 3.00 times in FY2015-16 as compared to 2.33 times in FY2014-15. The company's net profit margin of 2.34 per cent was moderate in FY2015-16 as against 1.45 per cent in FY2014-15. MTPL has healthy orders in hand of approximately Rs.104 crore for FY2016-17 providing revenue visibility for FY2017-18.

However, the ratings are constrained by moderate scale of operations evident from the revenue of Rs.96.18 crore in FY2015-16 as compared to Rs.87.31 crore a year earlier. The company is exposed to fluctuating raw material prices since it imports cold rolled grain oriented steel from Germany, Sweden, Dubai to name a few. The ratings are further constrained by the limited product diversification. SMERA notes that MTPL generated around 75 per cent revenue in FY2015-16 from sale of transformers indicating limited product diversification.

Outlook-Stable

SMERA believes that MTPL will maintain a stable outlook in the medium term on account of its experienced management and prudent financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and product diversification. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in revenues
- Future debt capex plan

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Delhi-based MTPL, incorporated in 1989 by Mr. Dinesh Kumar Agarwal is engaged in the manufacture of transformers and electronic energy meters. The company sells its products to Purvanchal Vidhut Vitran Nigam Limited, Madhyanchal Vidhut Vitran Nigam, Poly cab wires private limited among others. The company is headed by directors, Mr. Ankit Agarwal, Mr. Dinesh Kumar and Mrs. Chanchal Rani. The manufacturing facilities are located at Haridwar, Uttaranchal and Ghaziabad, Uttar Pradesh.

For FY2015–16, the company reported PAT (profit after tax) of Rs.2.09 crore on operating income of Rs.89.60 crore, as compared with profit after tax (PAT) of Rs.1.18 crore on operating income of Rs.81.17 crore in FY2014-15. The net worth stood at Rs.26.26 crore as on March 31, 2016 against Rs.24.17 crore a year earlier.

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ABOUT SMERA

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