

Press Release

Modern Transformers Private Limited (MTPL)

February 12, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.60.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the 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. 60.00 cr. bank facilities of Modern Transformers Private Limited (MTPL). The outlook is '**Stable**'.

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, Madhyanchan 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.

Key rating drivers

Strengths

Established track record of operations and experienced management

Delhi - based MTPL was incorporated in the year 1989 by Mr. Ankit Agarwal and Mr. Dinesh Kumar. The directors of the company has more than two decade of experience in the aforementioned line of business.

Moderate financial risk profile

MTPL's has moderate financial risk profile marked by moderate net worth of Rs.28.47 crore as on 31 March 2017 as compared to Rs.26.26 crore as on 31 March 2016. The company has moderate coverage ratio for the period under study and stands at 2.95 times for FY17, as compared to 3.00 times for FY16. The company has healthy operating profit margins in FY2017 and stand at 6.34 percent as compared to 5.56 percent a year earlier. MTPL net profit margin stood at 2.55 per cent in FY17 as against 2.34 per cent in FY16. The company has moderate ROCE and stands at 15.00 per cent in FY17 as compared to 14.79 per cent in FY16.

Healthy order book position

MTPL has healthy orders in hand of approximately Rs.113 crore for FY2017-18 providing revenue visibility in near to medium term.

Weaknesses

Moderate Scale of Operations

MTPL's moderate scale of operations is evident from the revenue of Rs.90.18 crore in FY2016-17 as against Rs.89.60 crore a year earlier.

Fluctuation in raw material prices

MTPL imports CRGO from countries like Germany, Sweden, Dubai, etc. MTPL is exposed to fluctuations in raw material prices according to the economic conditions of importing countries.

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 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.18	89.60	81.17
EBITDA	Rs. Cr.	5.72	4.99	3.53
PAT	Rs. Cr.	2.30	2.09	1.18
EBITDA Margin	(%)	6.34	5.56	4.35
PAT Margin	(%)	2.55	2.34	1.45
ROCE	(%)	15.00	14.79	11.02
Total Debt/Tangible Net Worth	Times	0.42	0.29	0.27
PBDIT/Interest	Times	2.95	3.00	2.33
Total Debt/PBDIT	Times	2.11	1.54	1.86
Gross Current Assets (Days)	Days	231	148	152

Any other information:

Not Applicable

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>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
October 21, 2016	Cash Credit	Long Term	8.50	SMERA BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	6.50	SMERA BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	28.00	SMERA A3 (Assigned)
	Proposed Bank Guarantee	Short Term	7.00	SMERA A3 (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	4.50	SMERA BBB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BBB-/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	SMERA A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3

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ABOUT SMERA

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