

Press Release

MURTI UDYOG LIMITED

31 January, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of 'SMERA BB-' (read as SMERA double B minus) and short term rating of 'SMERA A4+' (read as SMERA A four plus) on the Rs. 11.00 crore bank facilities of MURTI UDYOG LIMITED (MUL). The outlook is 'Stable'.

MUL, incorporated in 2008, is a New Delhi based company, engaged in the manufacturing of aluminum rods, wires and conductors used in the electricals industry. The operations are managed by Mr. Praveen Goyal and Mr. Naveen Goyal.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

MUL was established in 2008 by Mr. Praveen Goyal and Mr. Naveen Goyal based. The directors have over a decade of experience in manufacturing and supplying aluminum products.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate gearing, comfortable interest coverage ratio, NCA /TD and moderate debt protection measures. The total debt of Rs 10.00 crore consists of long term debt of Rs 1.83 crore and short term debt of Rs 9.61 crore of which cash credit facility was of Rs.8.00 crore and the balance in the form of Letter of credit as against net worth of Rs 6.04 crore in FY2017. The debt equity stood at 1.78 times in FY2017 compared to 1.77 times in FY2016 and Interest Coverage at 1.50 times in FY2017 as against 1.52 times in FY2016. Moreover, NCA/TD stood at 0.05 times in FY2017.

Weaknesses

- **Working-capital intensive operations**

The operations are working-capital intensive reflected in the Gross Current Assets of 210 days in FY2017 as against 72 days in FY2016. However, the same increased due to stretched debtors days of 133 days in FY2017 and 47 days in FY2016. Further, the inventory days increased to 53 days in FY2017 from 18 days in FY2016. The cash credit facility has been utilised at 96.94 percent in the past six months.

- **Decline in revenue YoY**

MUL reported lower revenue of Rs. 39.47 crore in FY2017 compared to Rs 65.03 crore in FY2016. The revenue declined by 39.30 per cent over the previous year. The net profit declined to Rs.0.31 crore in FY2017 from Rs. 0.44 crore in FY2016.

- **Competitive nature of the industry**

MUL operates in a highly competitive and fragmented industry characterised by a large number of organised and unorganised players affecting margins and the bargaining power with customers.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of MUL.

Outlook: Stable

SMERA believes that MUL will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in revenues and profitability, without corresponding deterioration in liquidity position and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the capital structure and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.47	65.03	38.17
EBITDA	Rs. Cr.	1.87	2.17	1.43
PAT	Rs. Cr.	0.31	0.44	0.31
EBITDA Margin (%)	(%)	4.73	3.33	3.74
PAT Margin (%)	(%)	0.80	0.68	0.80
ROCE (%)	(%)	10.84	15.55	24.98
Total Debt/Tangible Net Worth	Times	1.78	1.77	1.89
PBDIT/Interest	Times	1.50	1.52	1.50
Total Debt/PBDIT	Times	5.55	3.70	4.52
Gross Current Assets (Days)	Days	210	72	143

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

None

Any other information

Not Any

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07 Nov, 2016	Cash Credit	Long Term	INR 6.00	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 2.00	SMERA A4+
	Proposed Cash Credit	Long Term	INR 2.00	SMERA BB- / Stable
	Proposed Bank Guarantee	Short	INR 1.00	SMERA A4+

*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	8.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+

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ABOUT SMERA

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