

Monarch Self Adhesive Tapes & Foams (India) Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA B/Stable (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.8.00 crore bank facilities of Monarch Self Adhesive Tapes & Foams (India) Private Limited (MSAT). The outlook is '**Stable**'.

The ratings derive comfort from the established track record of operations and experienced management. The ratings also factor in the reputed clientele base and moderate financial risk profile. However, the ratings are constrained by the working capital intensive operations, stretched liquidity, thin profit margin and susceptibility of profit margins to fluctuations in raw material prices.

MSAT, incorporated in 1993 is engaged in the manufacture of self-adhesive tapes. The company, headed by Directors, Mr. Prabhakar Metrani, Mr. Suresh Reddy and Ms. Padma Hanumappa, caters to reputed clients such as Daewoo, General Electricals among others. The financial risk profile is moderate marked by net worth of Rs.5.56 crore as on 31 March, 2016 as compared to Rs.5.38 crore as on 31st March 2015. The gearing stood at 1.04 times as on 31st March 2016 as against 1.29 times as on 31st March 2015. The ICR stood at 1.65 times for FY2015-16 as against 1.49 times for FY2014-15.

However MSAT holds around three months of inventory to ensure uninterrupted production apart from providing around 60 days of credit to its customers. The Gross current asset days stood high at 237 in FY2015-16. The net profit margin remains thin and stands at 0.85 per cent in FY2015-16 on account of interest burden. The raw material i.e., Adhesive and Foam are susceptible to price fluctuation directly affecting earnings.

Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Effective working capital management

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook-Stable

SMERA believes that MSAT will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins. Any deterioration in the financial risk profile and liquidity position may also entail a 'Negative' outlook.

About the Company

The Bangalore-based MSAT, incorporated in 1993 by Mr. Prabhakar N Metrani is engaged in the manufacture of adhesive tapes for various industries.

For FY2015-16, MSAT registered profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.24.44 crore as against profit after tax of Rs.0.12 crore on operating income of Rs.21.13 crore in FY2014-15.

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ABOUT SMERA

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