

Press Release

Madhur Engineers Private Limited (MEPL)

13 February, 2017

Rating Assigned

Total Bank Facility Rated *	Rs.47.00 Crore
Long Term Rating	SMERA BB/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.47.00 crore long term bank facilities of Madhur Engineers Private Limited (MEPL). The outlook is '**Stable**'.

MEPL, incorporated in 1996 is engaged in the trading of alloy steel and bright bars. The promoters, Mr Santosh Agarwal and Mr. Sanjay Agarwal have over two decades of experience in the steel industry.

List of key rating drivers and their detailed description

Strengths:

Experienced management:- The company is headed by Mr Santosh Agarwal and Mr. Sanjay Agarwal who have over two decades of experience in the steel industry.

Long standing relationship with JSW Steel Limited: MEPL is the sole dealer/distributor for JSW Steel Limited in Maharashtra.

Moderate financial risk profile- The moderate financial risk profile is marked by healthy net worth of Rs.29.76 crore, moderate gearing (Debt-Equity) of 1.59 times, comfortable interest coverage of 1.70 times and DSCR of 1.49 times as on 31 March 2016.

Weaknesses:

Thin profitability: MEPL has thin profitability inherent to the trading nature of operations. It is able to maintain operating margins in the range of 4 to 4.5 per cent between FY2014-17 mainly on account of trading on transit basis.

Working capital requirements- The operations are working capital intensive marked by gross current asset days of 111 in FY2016 as against 108 days in FY2015. This necessitates working capital requirement as major funds gets blocked in debtors. The company has extended receivables period of 95 in FY2016 as against 105 days in FY2015.

Analytical approach: For arriving at the ratings SMERA has considered the standalone business and financial risk profiles of MEPL.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook – Stable

SMERA believes that MEPL will maintain a stable outlook and benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' in case the company scales up its operations significantly while achieving improvement in profitability and better working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company reports less than envisaged sales and weakening of capital structure due to high working capital requirements.

About the Rated Entity

MEPL, incorporated in 1996 is a Pune-based company engaged in the trading of alloy and bright bars. The company is a sole dealer/distributor of JSW Steel Ltd in Maharashtra. The day-to-day operations are managed by Mr. Santosh Agarwal and Mr. Sanjay Agarwal.

For FY2016, MEPL reported Profit after Tax (PAT) of Rs.3.02 crore on total operating income of Rs.236.69 crore as compared with PAT of Rs.4.49 crore on total operating income of Rs.304.29 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2017				2016		2015		2014	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	13 Feb 2017	30.00	SMERA BB/Stable (Assigned)	-	-	-	-	-	-
Channel Financing/ eDFS	LT	13 Feb 2017	17.00	SMERA BB/Stable (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	NA	NA	NA	30.00	SMERA BB/Stable (Assigned)
Channel Financing/ eDFS	NA	NA	NA	17.00	SMERA BB/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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