

Press Release

Madhur Engineers Private Limited

06 April, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 47.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable (Downgraded)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded a long term rating of **'SMERA BB-' (read as SMERA BB minus)** from **'SMERA BB' (read as SMERA BB)** to the above mentioned bank facilities of Madhur Engineers Private Limited. The outlook is **'Stable'**.

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

The reason for downgrade is due to declining revenue trend to Rs.221.44 crore as on 31st March 2017 as against Rs.236.69 crore in the previous year. Further, the PAT margin has also declined to 2.82 percent in FY2017 as against 4.18 percent in the previous year. The reason for the same as JSW Steels Limited is directly catering to retailers and also lower sales discount given by JSW Steels Limited.

Key Rating Drivers

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.

• Moderate Financial Risk Profile

The company is having moderate financial risk profile marked by healthy networth of Rs.30.99 crore as on 31st March 2017 as against Rs.28.78 crore in the previous year. The gearing stood at 1.45 times as on 31st March 2017 as against 1.68 times in the previous year. The total debt of Rs.44.93 crore consist of long term debt portion of Rs.0.01 crore, unsecured loans from promoters of Rs.2.30 crore and short term borrowings of Rs.42.61 crore. The interest coverage ratio stood at 1.80 times as on 31st March 2017 as against 1.70 times in the previous year. The TOL/TNW ratio stood at 1.59 times as on 31st March 2017 as against 1.94 times in the previous year.

Weaknesses

• Thin Profitability Margins

MEPL has thin profitability inherent to the trading nature of operations. operating margins in the range of 2.82 percent in FY2017 as against 4.18 percent in the previous year this is mainly on account of trading on transit basis. Further, the PAT margins stood thin at 1.10 percent in FY2017 as against 1.28 times in the previous year.

• Working Capital Intensive Nature of operations

The company is having working capital intensive nature of operations marked by gross current asset (GCA) days of 116 days as on 31st March 2017 as against 112 days in the previous year. The reason for the

same is due to high debtor days of 107 days as on 31st March 2017 as against 105 days in the previous year.

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes that MEPL will benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' in case the company significantly scales up its operations with improving its profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of MEPL reporting less than envisaged sales or profitability because of high working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	221.44	236.69	304.29
EBITDA	Rs. Cr.	6.25	9.89	12.49
PAT	Rs. Cr.	2.44	3.02	4.49
EBITDA Margin	(%)	2.82	4.18	4.10
PAT Margin	(%)	1.10	1.28	1.47
ROCE	(%)	10.66	13.49	17.75
Total Debt/Tangible Net Worth	Times	1.45	1.68	2.40
PBDIT/Interest	Times	1.80	1.70	1.95
Total Debt/PBDIT	Times	5.32	4.23	4.42
Gross Current Assets (Days)	Days	116	112	108

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Feb-2017	Cash Credit	LT	30.00	SMERA BB/Stable (Assigned)
	Channel Financing/eDFS	LT	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERABB -/ Stable (Downgraded)
Channel Financing/eD FS	Not Applicable	Not Applicable	Not Applicable	17.00	SMERABB -/ Stable (Downgraded)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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