

Press Release

Mudit Enterprises Private Limited

June 20, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.50 crore bank facilities of Mudit Enterprises Private Limited. The outlook is '**Stable**'.

Mudit Enterprises Private Limited (MEPL) was incorporated in 2002 by Mr. Mudit Gupta, Mr. Ruchir Gupta and Mrs. Rajrani Gupta. The company is engaged in the import and trading of petro chemicals (polymer wax, PVC, LDP among others). Located at New Delhi, the company imports the aforementioned from Saudi Arabia, China and Thailand and sells the same across Haryana, Delhi, Punjab and Uttar Pradesh. Dass Chemicals Industries (DCI) was established in 1968 by Mr. Virender Gupta. The firm is engaged in the business of import and trading of petro chemicals such as polymer, Waxes, PVC, LDP among others. The New Delhi based firm imports the aforementioned from Saudi Arabia, China and Thailand and sells the same across Haryana, Delhi, Punjab and Uttar Pradesh.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The promoters of the group, Mr. Virendra Gupta Mr. Mudit Gupta, Mr. Ruchir Gupta and Mrs. Rajrani Gupta have more than four decades of experience in the said business.

- **Moderate financial risk profile**

The financial risk profile is marked by healthy gearing, moderate interest coverage and network. The gearing has been comfortable at 0.53 times (Provisional) in FY2016-17 against 0.47 times in FY2015-16. Moreover, the interest coverage ratio stood at 1.83 times (Provisional) in FY2016-17 compared to 2.29 times in FY2015-16. The network of the group stood at Rs.4.30 crore in FY2016-17 (Provisional) against Rs.5.16 crore in the previous year. The network declined due to withdrawal of capital from its proprietorship firm, Dass Chemicals Industries. The total outstanding liability (TOL)/ total network stood at 1.89 times (Provisional) in FY2016-17 against 0.87 times in FY2015-16.

- **Efficient working capital management**

The group has efficient working capital cycle with gross current assets (GCA) days of 86 in FY2016-17 (provisional) against 73 in FY2015-16. This is mainly on account of low inventory of 18 days (Provisional) maintained by the group in FY2016-17 against 36 days in FY2015-16. The debtors stood at 52 days (Provisional) during FY2016-17 against 45 days in the previous year.

Weaknesses

- **Intense competition**

The group faces intense competition from various players in India which is likely to impact operating performance and profitability.

- **Modest scale of operations and low profitability**

The group has modest scale of operations marked by topline of Rs.41.68 crore in FY2016-17 (Provisional) against Rs.38.83 crore in FY2015-16. The profitability of the group stood at Rs.0.45 crore in FY2016-17 (Provisional) which declined from Rs.0.52 crore in FY2015-16.

- **Susceptibility of profit margins to fluctuations in raw material prices**

The products find application in the chemical industry. The profit margins are susceptible to fluctuations in raw material prices

Analytical Approach

SMERA has combined the business and financial risk profiles of Mudit Enterprises Private limited (MEPL) and Dass Chemicals Industries (DCI). Both entities, together referred to as the M D Group are engaged in the same line of business and under the same management. The main promoters of the M D Group are Mr. Virendra Gupta Mr. Mudit Gupta, Mr. Ruchir Gupta and Mrs. Rajrani Gupta.

Outlook: Stable

SMERA believes that the group will maintain a stable outlook over the medium term owing to improvement in operations and will benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

About the Group

The New Delhi-based M D group was incorporated in 1968 by Mr. Virender Gupta. The group is engaged in the import and trading of petro chemicals such as polymer, Waxes, PVC, LDP among others. The group imports the aforementioned from Saudi Arabia, China and Thailand and sells the same across Haryana, Delhi, Punjab and Uttar Pradesh.

About the Rated Entity - Key Financials

The Delhi-based Mudit Enterprises Private limited (MEPL), was incorporated in 2002 by Mr. Mudit Gupta, Mr. Ruchir Gupta and Mrs. Rajrani Gupta. The company imports and trades in petro chemicals such as polymer, waxes, PVC, LDP and sells the same across Haryana, Delhi, Punjab and Uttar Pradesh. For FY2016-17, the company reported profit after tax (PAT) of Rs.0.16 crore (Provisional) on operating income of Rs.16.48 crore as compared with PAT of Rs.0.11 crore on operating income of Rs.13.68 crore in FY2015-16. The net worth stood at Rs.3.73 crore (Provisional) as on 31 March, 2017 against Rs.3.56 crore a year earlier.

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

None

Any other information

None

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>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	2.00	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+

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ABOUT SMERA

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