



Press Release

Madhur Traders

August 11, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.75 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 9.75 crore bank facilities of Madhur Traders. The outlook is '**Stable**'.

Madhur Traders, an Indore-based firm was established in 2008 by Mr Madhur Vijaywargia. The civil construction firm undertakes contracts related to roads, bridges and others for government organisations in Sehore.

Key Rating Drivers

Strengths

• Experienced management

The promoter, Mr Madhur Vijaywargia has more than a decade of experience in the civil construction business.

• Average financial risk profile

The average financial risk profile is marked by low networth, high gearing and strong debt protection metrics. The networth stood low at Rs 3.66 crore as on 31 March, 2016. The debt to equity ratio improved from 2.73 times on 31st March, 2015 to 2.42 times on 31st March, 2016. For FY2017 (Provisional) the gearing stood at 1.84 times and interest coverage at 4.34 times. The firm reported strong interest coverage ratio of 3.88 times in FY2016 as against 4.47 times in FY2015. The net cash accruals to Total Debt (NCA/TD) stood at 0.25 times in FY2016. .

Weaknesses

• Exposure to geographic and client concentration risks

The firm is exposed to geographic and client concentration risks, as majority of the projects are executed in Madhya Pradesh and are awarded by government bodies. The business is tender based.

• Modest scale of operations

The firm has moderate scale of operations marked by revenue of Rs 17 crore in FY2017 (Provisional) compared to Rs 17.78 crore in FY2016. The firm has a current order book of around Rs 20 crore which provides revenue visibility for the next one year.

• Moderate working capital management

The moderate working capital management is marked by gross current asset (GCA) days of 145 in FY2016 as against 119 in FY2015 due to high debtor days of 52 in FY2016 and 42 in FY2015. The inventory days stood at 12 in FY2016 and 20 in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that Madhur Traders will maintain a stable outlook and benefit over the medium term from the promoters' vast experience in the civil construction industry. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales and profitability backed by healthy order book. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported Profit after tax (PAT) of Rs 1.49 crore as against operating income of Rs 17.78 crore. For FY2014-15, the firm reported PAT of Rs 1.35 crore as against operating income of Rs 16.17 crore.

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>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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)

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	4.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA A4

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ABOUT SMERA

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