Press Release

MAHAVIR TRANSMISSION LIMITED

March 06, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 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. 20.00 crore bank facilities of MAHAVIR TRANSMISSION LIMITED. The outlook is **'Stable'**.

Mahavir Transmission Limited (MTL) incorporated in the year 1995, is run by Mr. Rakesh Jain and Family. It is in the business of production of Aluminium Conductors for power transmission and distribution of electricity. Currently MTL has a capacity of 17000MTPA in its plant at Dehradun. It is an approved supplier of Power Grid Corporation India Ltd, various state electricity boards, and several private utilities.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations**
MTL was established in 1995 production of Aluminium Conductors for power transmission and distribution of electricity. The key promoters of the company Mr. Rakesh Jain has a proven track record of 35 years Aluminium trading and processing. He is a Governing Council member of Cable and Conductors Manufacturing Association of India (CACMAI) and also holds memberships of FISME NEA and Uttarakhand Industry Association.

• **Improvement in margins**
The operating margins of the group have improved to 2.36% in FY17 as against 1.49% in FY16. The PAT margins as well have improved from 0.12% for FY16 to 0.52% for FY17.

• **Average financial risk profile**
MTL has average financial risk profile marked by low gearing which stood at 1.25 times for FY17 as against 4.04 times for FY16. The ICR stood at 1.75 times for FY17 as against 1.29 times for FY16. The ROCE of the group is healthy at 13.28% for FY17 as against 13.27% for FY16. The net worth of the group is healthy at Rs. 12.32 crore for FY17 as against Rs.5.05 crore for FY16. This is on account of capital infusion by the directors. MTL has booked revenue of Rs.130 crore till November 2017. MTL has an order book of Rs.174 Crore which is to be executed in a span of 1 Year.

• **Reputed Customer Base**
MTL has a reputed customer base such as L&T Ltd Power Grid Corporation of India Tata Projects Ltd. Uttarakhand Power Corporation Ltd amongst others.

Weaknesses

• **Susceptibility of margins to volatility in raw material prices**
The raw material (aluminium) cost comprises substantial of cost of sales. Hence the company is susceptible to adverse fluctuations in raw material prices in the absence of price escalation clause that may affect profitability.

- **Working capital intensive nature of operations**
  The operations of the company are working capital intensive with gross current asset days (GCA) of 155 for FY 2017 as against 157 days in the previous year. The reason for high GCA days is due to the stretched debtor days at 118 for FY 2017. However the company is able to manage its working capital cycle effectively due to favorable credit period received from its suppliers with payable days at 110 for FY 2017.

- **Highly competitive and fragmented industry**
  MTL operates in a highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone financials of MTL.

Outlook: Stable

SMERA believes that MTL would continue to benefit over the medium term from its promoters' extensive industry experience and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the group generates substantial and sustainable revenues or operating margins thereby resulting in improvement in its existing business risk profiles especially market position. Conversely the outlook may be revised to 'Negative' if the group's working capital cycle further deteriorates resulting in weakening of its existing financial risk profile particularly liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	148.28	153.33	114.37
EBITDA	Rs. Cr.	3.50	2.28	3.14
PAT	Rs. Cr.	0.77	0.19	0.01
EBITDA Margin	(%)	2.36	1.49	2.75
PAT Margin	(%)	0.52	0.12	0.01
ROCE	(%)	13.28	13.27	24.15
Total Debt/Tangible Net Worth	Times	1.25	2.89	2.83
PBDIT/Interest	Times	1.75	1.29	1.15
Total Debt/PBDIT	Times	3.72	5.09	5.40
Gross Current Assets (Days)	Days	155	157	130

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
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.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	10.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Aditi Shah Analyst - Rating Operations Tel: 022-67141371 Aditi.Shah@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.