

Press Release

MATRIX CUTTING TOOLS PRIVATE LIMITED

March 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	SMERA B / Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 6.50 crore bank facilities of MATRIX CUTTING TOOLS PRIVATE LIMITED. The outlook is '**Stable**'.

MCPL was established in the year 1981 as Matrix Engineering by late Mrs. Shashi Laul which was later converted into Matrix Cutting Tools Private Limited in the year 2013. It is currently managed by her two sons Mr. Ashu Laul and Mr. Vidur Laul. The company is engaged in the business of manufacture of Industrial blades and machine knives for Veener and Plywood Industry, Printing mills and Steel Industry.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

M/s Matrix Engineering was established in the year 1981 and has a long track record of operations. Both the directors of the company are well experienced in the line

- **Established relations with customers**

MCTPL has established relations with its customers in the end user industries and its products (chipper knives, slicer knives, flaker knives, hammer mill beaters, peeling knives, paper cutting knives among others) have proven quality. The company has also participated in international exhibitions in order to boost its exports in Germany, Sweden and America.

Weaknesses

- **Below average financial risk profile marked by low net worth and high gearing**

MCTPL has below average financial risk profile marked by net worth of Rs. 0.65 crore as on 31 March, 2017 as against Rs. 0.56 crore as on 31 March, 2016. The adjusted gearing was high at 7.44 times as on 31 March, 2017 as against 2.20 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 2.47 times for FY2017 as against 2.77 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 8.04 times as on 31 March, 2017 as against 3.40 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times in FY2017 as against 0.21 times in FY2016. Further the company has invested in purchase of fixed assets worth Rs.3.94 crore in FY2017 and has imported machinery worth ~Rs. 2.50 crore in FY18 which is funded through term loans and promoter's contribution. Addition of debt is likely to keep the gearing at high levels.

- **Small Scale of operations**

Though the revenue has shown an increasing trend, it remained low at Rs. 3.62 crore in FY2017 as against Rs. 2.62 crore in the previous year. The profitability margins were fluctuating and the PAT margins decreased to 2.60 per cent in FY2017 as against 3.51 per cent in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MCTPL to arrive at the rating

Outlook: Stable

SMERA believes MCTPL will maintain a 'Stable' business risk profile in the medium term on account of its long track record of its business. The outlook may be revised to 'Positive' if the company registers higher than expected revenue and profitability margins. Conversely, the outlook will be revised to 'Negative' in case of significant decline in firm's revenue and profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.62	2.68	2.57
EBITDA	Rs. Cr.	0.59	0.31	0.34
PAT	Rs. Cr.	0.09	0.09	0.01
EBITDA Margin	(%)	16.36	11.67	13.23
PAT Margin	(%)	2.60	3.51	0.32
ROCE	(%)	10.09	7.72	20.26
Total Debt/Tangible Net Worth	Times	7.44	2.41	2.24
PBDIT/Interest	Times	2.47	2.77	2.57
Total Debt/PBDIT	Times	8.16	4.28	2.92
Gross Current Assets (Days)	Days	135	222	162

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>
- 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	1.20	SMERA B/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.35	SMERA B/ Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA B/ Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Manmיתה Sodhi Analyst - Rating Operations Tel: 022-67141133 Manmיתה.Sodhi@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.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.