

Press Release

Matchwell Engineering Private Limited

02 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.6.00 crore bank facilities of Matchwell Engineering Private Limited (MEPL). The outlook is '**Stable**'.

MEPL, incorporated in 1984 by Mr. M G Tandon is engaged in the fabrication of automobile parts including fuel carrying tanks, hydraulic tanks, front and rear weight, chassis among others. These are used in earth moving vehicles, stone crushing equipments to name a few. The company has three production units at Talawde, Chikli and Kurlishakanpur in Maharashtra. MEPL caters to Wirtgen India Ltd., Cummins India Ltd, Hyundai Motor India Ltd., Kirloskar Oil Engines Ltd to name a few.

Key rating drivers

Strengths

Experienced promoter and long track record of operations

The Promoter, Mr. M G Tandon has more than three decades of experience in the said line of business. The company's long track record of operations has helped develop healthy relationships with customers.

Healthy financial risk profile

MEPL has healthy financial risk profile marked by tangible net worth of Rs.10.14 crore as on 31 March, 2017 which increased from Rs.9.63 crore as on 31 March, 2016. The debt-equity ratio was low at 0.23 times as on 31 March, 2017 as against 0.15 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood healthy at 28.78 times for FY2017 as against 25.46 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 22.44 times for FY2017 as against 18.03 times in FY2016. The company has inventory of 30 days and debtors of 71 days in FY2017. The Gross Current Assets stood at 120 days as on 31 March, 2017. Going forward, SMERA expects the financial risk profile to improve marginally.

Weaknesses

Susceptibility to fluctuations in raw material prices, intense competition

The operating margins are highly susceptible to volatility in steel prices. MEPL operates in a highly competitive and fragmented industry characterised by a large number of organised and unorganised players affecting margins.

Modest scale of operations

The scale of operations is marked by operating income of Rs.44.25crore in FY2017 as against Rs.37.02 crore in FY2016 and Rs.35.91 crore in FY2015. The operating margins of the company stood at 5.11 percent in FY2017 as against 4.16 percent in FY2016. The PAT margins are thin at 1.23 percent in FY2017 as against 0.47 percent in FY2016. SMERA believes that the company will sustain the scale of operations on the back of its established track record of operations.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of MEPL.

Outlook- Stable

SMERA believes that MEPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenue while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	44.25	37.02	35.91
EBITDA	Rs. Cr.	2.26	1.54	1.16
PAT	Rs. Cr.	0.54	0.17	-0.17
EBITDA Margin	(%)	5.11	4.16	3.23
PAT Margin	(%)	1.23	0.47	-0.48
ROCE	(%)	9.55	6.19	7.32
Total Debt/Tangible Net Worth	Times	0.23	0.15	0.14
PBDIT/Interest	Times	28.78	25.46	15.25
Total Debt/PBDIT	Times	1.01	0.96	1.12
Gross Current Assets (Days)	Days	123	129	119

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB- / Stable

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ABOUT SMERA

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