

Press Release

Madnani Engineerings Works

July 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 25.00 crore bank facilities of Madnani Engineerings Works. The outlook is '**Stable**'.

Madnani Engineerings Work was incorporated as a partnership firm in 1991 by Mr. Manish Madnani and his wife. The firm is engaged in manufacturing defense accessories, solar lightening solutions, non-skid snow chains, kerosene lanterns, heating equipment and solar power plant and many others.

Key Rating Drivers

Strengths

- Experienced management**

The Managing Director, Mr. Manish Madnani has experience of more than two decades in the same line of business and looks after the overall operations of the firm.

- Reputed clientele**

MEW provides the defense accessories and installation and commissioning of solar power plant, solar power generator, solar lanterns and many more products to J & K police, Indian Army, ONGC and decentralized systems for Ministry of New and Renewable Energy. Such decentralized systems are used in villages and rural areas under the government schemes of Saubhagya Scheme and Pradhan Mantri Atal Jyoti Yojna.

- Moderate financial risk profile**

Moderate financial risk profile of the firm is marked by moderate interest coverage which stood at 2.00 times in FY2018 as compared 1.77 times in FY2017. The gearing has improved at 0.52 times in FY2018 as compared with 1.27 times in FY2017 (Gearing has improved on account of infusion of partner's capital of ~Rs.12.04 crore). Operating margin of the company stood moderate at 7.12 percent in FY2018 as compared to 7.31 percent in FY2017.

Weaknesses

- Dependence on government orders and delay in receipt of payments**

MEW is engaged in manufacturing of several critical items for Defense & Paramilitary forces. The firm also provides solar lightening solutions, anti-skid chains, kerosene lanterns and other products for Government. Thus resulting in stretched debtors days at times.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Madnani Engineerings Works to arrive at the rating.

Outlook: Stable

Acuité believes that MEW will maintain a 'Stable' outlook over the medium term on the back of its promoters' industry experience. The outlook may be revised to 'Positive' if MEW substantially improves its revenue by diversifying its client base and profitability, while prudently managing its working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of decline in capital

structure and deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.82	29.84	25.37
EBITDA	Rs. Cr.	3.05	2.18	1.43
PAT	Rs. Cr.	1.29	0.75	0.40
EBITDA Margin	(%)	7.12	7.31	5.64
PAT Margin	(%)	3.01	2.53	1.57
ROCE	(%)	14.58	16.88	16.88
Total Debt/Tangible Net Worth	Times	0.52	1.27	0.54
PBDIT/Interest	Times	2.00	1.77	1.78
Total Debt/PBDIT	Times	2.51	3.91	1.84
Gross Current Assets (Days)	Days	208	208	98

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	6.00	ACUITE BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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