

Press Release

MG Worldwide Private Limited

November 04, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 8.50 crore bank facilities of MG Worldwide Private Limited (MGWPL). The outlook is '**Stable**'.

Delhi-based MGWPL was incorporated in 1996 by Mr. Arun Bhatnagar and Mrs. Rachna Bhatnagar. The company is engaged in supplying of damper to the Indian railways and for various metro projects after procurement of the same via imports. Further the company is engaged in the trading of commodities and equipments like rice, medicines in the international market. The company has also undertaken the task of trading beehive tools to various countries.

Analytical Approach

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

Key Rating Drivers

Strengths

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

MGWPL is promoted by Mr. Arun Bhatnagar and Mrs. Rachna Bhatnagar both are seasoned players having amassed an experience of over 20 years in the same industry. The company has an established track record with more than two decades of operations executing orders domestically as well as overseas. The rich experience of the promoters and long track record of operations has enabled the company to maintain long standing relations with reputed clients like Indian railways and various foreign ministries to name a few. Acuité believes that the company will continue to benefit from its established presence in the trading industry and the promoter's experience.

Weaknesses

- **Average financial risk profile**

Financial risk profile of the company is average marked by average net worth, total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. The net worth of the company stood at Rs. 3.54 crores in FY2019 as against Rs. 2.62 crores in FY2018. The gearing (debt-to equity) is comfortable at 0.88 times as on 31 March, 2019. TOL/TNW is at 1.40 times as on 31 March, 2019. The total debt of Rs.3.13 crore as on 31 March, 2019 consists entirely of working capital borrowings. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are adequate at 5.58 times and 0.34 times, respectively, in FY2019. The company reported net cash accruals (NCA) of Rs.1.06 crore in FY2019. The Cash accruals are expected in the range of Rs.1.14-1.34 crore against no repayment obligations.

- **Working capital intensive operations**

MGWPL's working capital is operations remained intensive as is reflected by its gross current asset (GCA) days of around 133 days for FY2019 as against 96 days in the previous year. The company maintains inventory levels of around 36 days. The debtor's collection period stood at 6 days as against 34 days in the

previous year. Further the creditor days stood at 25 days in FY2019. Acuité believes that efficient working capital management will be critical for the firm in maintaining a stable credit profile.

• Modest scale of operations

The operations of MGWPL are modest despite the company's presence in the line of business for over two decades marked by the revenue of Rs. 19.64 crores in FY2019 as against Rs. 20.82 crores in FY2018.

Liquidity Position

MGWPL has adequate liquidity marked by comfortable net cash accruals to no major maturing debt obligations. The company generated cash accruals of Rs.1.06 crore during FY2019. The cash accruals of MGWPL are estimated to be around Rs.1.14-1.34 crore against no repayment obligations in the same period. The cash credit limit of the group remains utilized at around 50 per cent during the last six month period ended August 2019. The company maintains unencumbered cash and bank balances of Rs.1.95 crore as on March 31, 2019. The current ratio of MGWPL stood at 1.56 times as on March 31, 2019. Acuité believes that the liquidity of MGWPL is likely to remain adequate over the medium term on account of comfortable cash accruals against no repayment obligations over the medium term.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Moderate working capital operations leading deterioration in financial risk profile and liquidity.

Material Covenants

None

Outlook: Stable

Stable Acuité believes that MGWPL will maintain a 'Stable' outlook over the medium term, owing to its promoters' extensive experience in the industry and longstanding operations. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability, while diversifying its revenue profile and sustains its capital structure. Conversely, the outlook may be revised to 'Negative' if there is stretch in its working capital management or larger than-expected debt-funded capex or drop in profitability while penetrating into newer territories leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	19.64	20.82	25.22
EBITDA	Rs. Cr.	1.66	0.78	0.96
PAT	Rs. Cr.	0.92	0.12	0.09
EBITDA Margin	(%)	8.46	3.75	3.80
PAT Margin	(%)	4.69	0.57	0.37
ROCE	(%)	29.79	13.57	11.76
Total Debt/Tangible Net Worth	Times	0.88	0.62	1.62
PBDIT/Interest	Times	5.58	1.64	1.37
Total Debt/PBDIT	Times	1.81	1.98	3.88
Gross Current Assets (Days)	Days	133	96	84

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Trading Sector - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Oct-2018	PC/PCFC	Short Term	4.00	ACUITE A4 (Assigned)
	Overdraft	Long Term	2.00	ACUITE B/Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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