

Press Release

Mamta Transformers Private Limited

September 28, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.10.00 Cr bank facilities of Mamta Transformers Private Limited. The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About the Company

Madhya Pradesh-based, MTPL was incorporated in 1995. The company is engaged in manufacturing and repairing of transformers and transformers tank and is an approved vendor for the state electricity boards of Madhya Pradesh, Tamil Nadu and Maharashtra. The company is promoted by Mr. Vineet Ora and Mr. R.L. Ora, who have over two decades of experience in the power sector. MTPL can manufacture transformers up to 1000 KVA. The manufacturing unit is located at Indore, Madhya Pradesh.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of MTPL to arrive at the rating.

Key Rating Drivers

Strengths

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

MTPL, promoted by Mr. Vineet Ora and Mr. R.L. Ora have over two decades of experience in the power sector. The extensive experience, coupled with a long track record of operations and timely execution of the projects, has enabled the company to forge healthy relationships with customers and suppliers.

Weaknesses

- **Below average financial risk profile**

MTPL's financial risk profile is below average marked by high gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), modest net worth and moderate debt protection metrics. The gearing has stood high at 2.06 times as on 31 March, 2020 (Prov) as against 2.48 times as on 31 March, 2019. TOL/TNW is at 4.84 times as on 31 March, 2020 (Prov) as against 5.14 times as on 31 March, 2019. Tangible net worth of the company stood modest at Rs.2.97 Cr as on 31 March, 2020 (Prov) as against Rs.2.71 Cr as on 31 March, 2019.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt are at 1.33 times and 0.06 times, respectively in FY2020 (Prov).

- **Working capital intensive operations**

MTPL's operations are highly working capital intensive marked by GCA of 468 days in FY2020 (Prov) as against 339 days in FY2019. This is majorly driven by high receivable and inventory days. The debtor's days were recorded at 293 days in FY2020 (Prov) as against 199 days in FY2019. The collection cycle is 2-3 months. The inventory days were recorded at 186 days in FY2020 (Prov) against 143 days in FY2019. The company maintains an inventory policy of 60 to 70 days however an additional of 10 to 20 days of inventory is maintained considering the company dealing in export orders majorly wherein the lead time is shorter and to facilitate immediate orders within time. The inventory is realizable stock and there are no deadstock/cancelled stock orders. Due to high customer realization cycle, the working capital limits are utilized at ~85-90 percent through

FY2020.

• Tender based nature of business

The company deals mainly with a government organization, which provide orders on a tender basis, indicating that revenues are highly dependent on the number and value of tenders floated by the Government. Going forward, the company's ability to bid for large orders and qualifying the same remains to be seen.

Rating Sensitivities

- Improvement in the operating revenue and scale of operations while sustaining the margins
- Any stretch in working capital operations leading to a deterioration of its financial risk profile and liquidity

Material Covenants

None

Liquidity: Stretched

MTPL has stretched liquidity reflected by working capital-intensive operations evident from GCA days of 468 days in FY2020 (Prov) against 339 days in FY2019. The company has reported cash accruals of Rs.0.37 Cr in FY2020 (Prov.) against no long-term repaying obligations. The working capital limits remain utilized at ~85-90 percent during this period. The company has unencumbered cash and bank balances of Rs.0.04 Cr as on 31st March, 2020 (Prov). The current ratio stood at 1.19 times as on 31st March, 2020 (Prov).

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	12.15	16.06
PAT	Rs. Cr.	0.26	0.17
PAT Margin	(%)	2.10	1.05
Total Debt/Tangible Net Worth	Times	2.06	2.48
PBDIT/Interest	Times	1.33	1.37

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

CRISIL, vide its press release dated May 15, 2020 had denoted the rating of MAMTA TRANSFORMERS PRIVATE LIMITED as 'CRISIL B/CRISIL A4; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Sep-2019	Cash Credit	Long Term	4.00	ACUITE B+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.50	ACUITE A4 (Reaffirmed)

14-Nov-2018	Cash Credit	Long Term	4.00	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Assigned)
	Proposed Bank 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Withdrawn)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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