

October 23, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Foreign Letter of Credit	8.00*	SMERA A4+ (Assigned)
Bank Guarantee	5.00*	SMERA A4+ (Assigned)

**FLC and BG are fully interchangeable*

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.18.00 crore bank facilities of Malhotra Electronics Private Limited (MEPL). The outlook is '**Stable**'. The rating draws comfort from the company's experienced management, moderate financial risk profile and healthy revenue growth. However, the rating is constrained by the company's exposure to customer concentration risk, declining operating margins and intense competition in the electronic goods industry.

MEPL, incorporated in 1986 is a Noida-based company that manufactures electronic items such as LED televisions apart from cabinets and CTV chasses. The company is headed by Mr. Ravinder Singh Malhotra, who possesses around three decades of experience in the electronic goods industry. The company's moderate financial risk profile is reflected in the moderate debt-equity ratio of 1.07 times and net cash accruals to total debt (NCA/TD) of 0.25 times as on March 31, 2014. MEPL has reported comfortable interest coverage ratio of 3.23 times in FY2013-14. The company has registered healthy revenue growth of 41 per cent (compounded annual growth rate) over the past three years. MEPL has achieved operating income of Rs.83.45 crore in FY2013-14 (refers to financial year, April 01 to March 31) as compared to Rs.48.74 crore in FY2012-13.

MEPL caters to its three customers - Intex Technologies India limited, Super Cassettes Industries Private Limited and Arise India Limited that contribute over 40 per cent of the total sales. The company has long standing relations with these customers, nevertheless it is exposed to customer concentration risk. The company's operating margins have declined in the last three years due to high raw material cost which have not been passed on to customers. MEPL operates in a highly competitive industry with low entry barriers and hence faces intense competition from organised and unorganised players.

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SMERA RATINGS LIMITED

Malhotra Electronics Private Limited (MEPL)

Rating Rationale

Outlook: Stable

SMERA believes that MEPL will maintain its credit risk profile over the medium term, backed by its experience management. The outlook may be revised to 'Positive' in case the company is able to increase its profitability. The outlook may be revised to 'Negative' in case of decline in profitability or increase in working capital management.

About the Company

MEPL incorporated in 1986 is a Noida-based company promoted by Mr. Ravinder Singh Malhotra. The company is engaged in the manufacture of electronic goods such as LED televisions apart from cabinets and CTV chasses and has an installed capacity of 650000 Metric Tons per annum.

For FY2013-14, MEPL reported profit after tax (PAT) of Rs.0.91 crore on operating income of Rs.83.45 crore, as compared with PAT of Rs.0.57 crore on operating income of Rs.48.74 crore in FY2012-13. The company's net worth stood at Rs.6.46 crore as on March 31, 2014, as compared with Rs.5.55 crore a year earlier.

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