

### Malhotra Electronics Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00* (Enhanced from 5.00 crore)	SMERA BB-/Stable (Reaffirmed)
Foreign letter of Credit	19.00** ( Enhanced from 8.00 crore)	SMERA A4+(Reaffirmed)

\*Includes sublimit for Buyer's credit to the extent of Rs 6.00 crore and is fully interchangeable with FLC

\*\* Includes sublimit for Bank Guarantee to the extent of Rs 6.00 crore.

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.25.00 crore bank facilities of Malhotra Electronics Private Limited (MEPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's experienced management, moderate financial risk profile and healthy revenue growth. However, the ratings are constrained by customer concentration risk, low profitability and intense competition in the electronic goods industry.

#### Update

MEPL reported higher revenue of Rs.99.41 crore in FY2016 (Provisional) compared to Rs.87.84 crore in FY2015. The firm continues to have moderate financial risk profile marked by moderate gearing, comfortable interest coverage ratios, net cash accruals to total debt and average debt protection metrics. The gearing declined to 0.46 times as on March 31, 2015 as against 1.07 times as on March 31, 2014 on account of no year-end cash credit balance. The gearing stands at 1.40 times in FY2016. The Interest coverage ratio is comfortable at 2.89 times in FY2015 and 2.81 times in FY2016 as against 3.23 times in FY2014. Moreover, the NCA/TD is at 0.17 times and networth stood at Rs 7.96 crore in FY2016 (Provisional).

However, the net profitability declined from 1.09 per cent in FY2014 to 0.86 percent in FY2015 and 0.89 percent in FY2016 (Provisional) on account of higher interest cost on increased bank limits. The customer base of MEPL is moderately concentrated with top three customers - Intex Technologies (India) Limited, Super Cassettes Industries Private Limited and Arise India Limited, having contributed more than 40 per cent of total sales in FY2015. However, the risk is offset by strong customer relations and continuous orders from clients.

#### Rating Sensitivity Factors

- Improvement in profit margins
- Improvement in capital structure

#### Outlook-Stable

SMERA believes that MEPL will maintain a stable outlook over the medium term backed by its experienced management. The outlook may be revised to 'Positive' if the company is able to increase profitability. Conversely, the outlook may be revised to 'Negative' in case of MEPL reporting less than envisaged sales or profitability.

**Criteria applied to arrive at the rating:**

- Manufacturing Entities

**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 chassis and has an installed capacity of 650000 metric tons per annum.

For FY2015–16 (Provisional), MEPL reported profit after tax (PAT) of Rs.0.89 crore on operating income of Rs.99.51 crore, as compared with PAT of Rs.0.76 crore on operating income of Rs.87.85 crore in FY2014–15.

**Rating History**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
23 Oct, 2015	Cash Credit	5.00	SMERA BB- (Assigned)	-	Stable
	Bank Guarantee	5.00*	-	SMERA A4+ (Assigned)	-
	Foreign letter of Credit	8.00*	-	SMERA A4+ (Assigned)	-

\*FLC and BG are fully interchangeable.

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## ABOUT SMERA

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