

March 12, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA D (Assigned)

SMERA has assigned a rating of '**SMERA D**' (**read as SMERA D**) to the Rs.10.00 crore bank facilities of MDF Products India Private Limited (MPIPL). The rating reflects the company's stretched liquidity position marked by frequent overdrawing of cash credit limit. The rating also reflects the company's low net profit margin, high leverage, stretched working capital cycle and low coverage indicators.

MPIPL, incorporated in 1998, is a New Delhi-based company engaged in trading of fabrics, tiles and tyres. MPIPL has a weak liquidity position arising from delays in receipt of payments from customers. The company's cash credit limit was overdrawn (for a period exceeding 30 days) during May 31, 2013 to September 20, 2013 and September 30, 2013 to November 10, 2013.

MPIPL's net profit margin is low at 0.36 per cent in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the company's operations are working capital-intensive as reflected in average inventory holding period and receivables period of 87 days and 46 days, respectively in FY2012-13. MPIPL's working capital cycle is stretched at 108 days in FY2012-13. The company's total debt of Rs.13.95 crore (as on March 31, 2013) includes interest-free unsecured loans of Rs.3.95 crore from shareholders. MPIPL's leverage is high at 2.04 times (after considering unsecured loans from shareholders as equity) as on March 31, 2013. The company's interest coverage ratio is low at 1.29 times in FY2012-13.

Mr. Tejinder Singh and Mr. Bhavneet Singh, directors of MPIPL, have over ten years of experience in the company's line of business.

About the company

MPIPL, incorporated in 1998, is a New Delhi-based company engaged in trading of fabrics, tiles and tyres.

For FY2012-13, MPIPL reported net profit of Rs.0.18 crore on total income of Rs.50.48 crore, as compared with net profit of Rs.0.21 crore on total income of Rs.40.78 crore for FY2011-12. The company's net worth stood at Rs.5.15 crore as on March 31, 2013, as compared with Rs.4.48 crore a year earlier.

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