



SMERA RATINGS LIMITED

# MDF Products (India) Private Limited (MPIPL)

*Rating  
Rationale*

**August 14, 2014**

| Facility    | Amount (Rs. Crore)                      | Rating                            |
|-------------|---|-----------------------------------|
| Cash Credit | 16.00<br>(enhanced from Rs.10.00 crore) | SMERA C<br>(revised from SMERA D) |

SMERA has revised the rating on the abovementioned bank facility of MDF Products (India) Private Limited (MPIPL) to '**SMERA C' (read as SMERA C)** from 'SMERA D' (read as SMERA D). The rating reflects the company's stretched liquidity position, low net profit margin, stretched working capital cycle, negative operating cash flows and high leverage (debt-equity ratio).

## Update

MPIPL's stretched liquidity position is evidenced by high average utilisation (~96 per cent) of working capital limit during December 2013 to May 2014. The company's net profit margin is low at 0.44 per cent in FY2013-14 (refers to financial year, April 01 to March 31). MPIPL's operations are working capital-intensive, as reflected in average inventory holding period and receivables period of 136 days and 131 days, respectively in FY2013-14. The company's working capital cycle is stretched at 132 days in FY2013-14. MPIPL reported negative operating cash flows during the last three financial years. The company is thus highly dependent on external borrowings for working capital requirements. MPIPL's leverage (debt-equity ratio) remained high at 3.17 times as on March 31, 2014 despite capital infusion of Rs.3.52 crore in FY2013-14. The company's total debt of Rs.17.32 crore (as on March 31, 2014) includes interest-free unsecured loans of Rs.4.82 crore from shareholders. MPIPL's interest coverage ratio is low at 1.31 times in FY2013-14.

MPIPL benefits from its experienced management. 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 FY2013-14, MPIPL reported net profit of Rs.0.27 crore on total income of Rs.60.28 crore, as compared with net profit of Rs.0.18 crore on total income of Rs.50.48 crore for FY2012-13. The company's net worth stood at Rs.5.46 crore as on March 31, 2014, as compared with Rs.1.67 crore a year earlier.

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