

October 07, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	22.00 (enhanced from Rs.16.00 crore)	SMERA B/Stable (upgraded from SMERA C)

SMERA has upgraded the rating on the abovementioned bank facility of MDF Products (India) Private Limited (MPIPL) from '**SMERA C** (read as SMERA C)' to '**SMERA B**' (read as SMERA B). The outlook is '**Stable**'. The rating draws comfort from the healthy revenue growth registered by the company. However, the rating remains constrained by the company's decline in operating margins in FY2015.

Update

MPIPL's stretched liquidity position is evidenced by high average utilisation (~95 per cent) of working capital limit during March 2015 to August 2015. The company's net profit margin is low at 0.41 per cent in FY2014-15 (refers to financial year, April 01 to March 31). MPIPL's operations are working capital-intensive, as reflected in the average inventory holding and receivables period of 102 days and 38 days, respectively in FY2014-15. The company's working capital cycle is stretched at 126 days in FY2014-15. 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) has marginally improved from 1.18 times as on March 31, 2015 as compared to 1.22 times in FY2013-14.

Rating Sensitivity Factors

- Ability to increase scale of operations while improving profitability on sustainable basis
- Effective working capital management

Outlook: Stable

SMERA believes that the outlook on MPIPL's facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company maintains sustained growth in revenues and shows an improvement in profit margins. Conversely, the outlook maybe revised to 'Negative' in case of a steep decline in the company's revenues and profit margins.

About the Company

MPIPL, incorporated in 1998, is a New Delhi-based company engaged in trading of fabrics, tiles and tyres. For FY2014-15, MPIPL reported net profit of Rs.0.41 crore on total income of Rs.96.70 crore, as compared with net profit of Rs.0.41 crore on total income of Rs.60.28 crore for FY2013-14. The

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company's net worth stood at Rs.15.41 crore as on March 31, 2015, as compared with Rs.10.28 crore a year earlier.

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