

Monga Brothers Limited: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	0.08	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Cash Credit	11.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Letter of Credit	3.00	SMERA A4+ (Upgraded from SMERA A4)
Proposed Long Term	0.19	SMERA BB-/Stable (Assigned)

SMERA has upgraded the ratings of the above mentioned Rs.11.27 crore long-term (fund based) bank facilities of Monga Brothers Limited (MBL) to **'SMERA BB-' (read as SMERA double B minus)** from 'SMERA B+' (read as SMERA B plus) and the Rs.3.00 crore short-term (non-fund based) bank facilities to **'SMERA A4+' (read as SMERA A four plus)** from 'SMERA A4' (read as SMERA A four). Further, SMERA has also assigned rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs.0.19 crore long-term (fund based) bank facility. The outlook continues to remain **'Stable'**.

The ratings upgrade factors in growth in revenues and the significant improvement in profitability and profit margins. SMERA also notes that the company has moderate gearing and interest coverage ratio, healthy work orders in hand that provide revenue visibility. Further, the ratings are also supported by the established operations and experienced management. However the ratings continue to be constrained by the stretched liquidity (90 per cent bank limit utilised from April 2015 to December 2015) and intense competition in the auto component industry.

MBL has achieved operating income of Rs.94.67 crore in FY2015-16, an improvement from Rs.78.46 crore in FY2014-15. The company reported (Profit After Tax) PAT of Rs.0.39 crore in FY2015-16 against PAT of Rs.0.12 crore in FY2014-15. The moderate financial risk profile is marked by moderate gearing (debt-to-equity) of 1.71 times in FY2015-16 against 1.82 times in FY2014-15 and interest coverage of 1.49 times in FY2015-16 against 1.47 times in FY2014-15. MBL has bank limit utilisation (90 per cent cash credit limit utilised from October 2015 to April 2016). Moreover, the company registered PAT margin of 0.41 per cent in FY2015-16 as against 0.15 per cent in FY2014-15. MBL operates in an intensely competitive segment of the auto component industry. The total debt of Rs.15.03 crore includes unsecured loans of Rs.1.40 crore that are subordinated to bank debt as on March 31, 2016.

Outlook- Stable

SMERA believes that MBL will continue to maintain a stable outlook and benefit over the medium term from its long standing presence in the steel industry and rich experience of the promoters. The outlook may be revised to 'Positive' if the company scales up its revenue along with improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or stretch in the working capital cycle and liquidity.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

MBL established in 1966, is a Ludhiana-based company promoted by Mr. Sanjay Kumar Gupta and Mr. Mukesh Gupta. The company is engaged in the manufacture of rough steel forgings, squares and bars among others.

For FY2015–16, the company reported profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.94.67 crore, as compared with profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.78.46 crore in FY2014-15. The net worth stood at Rs.7.96 crore as on March 31, 2016 against Rs.7.34 crore a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
08 June , 2015	Term Loan	0.27	SMERA B+ (Upgraded)	-	Stable
	Cash Credit	11.00	SMERA B+ (Upgraded)	-	Stable
	Letter of Credit	3.00	-	SMERA A4 (Reaffirmed)	-
28 May, 2014	Term Loan	0.27	SMERA B (Assigned)	-	Stable
	Cash Credit	11.00	SMERA B (Assigned)	-	Stable
	Letter of Credit	3.00	-	SMERA A4	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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