

FEBRUARY 26, 2015

CARE ASSIGNS 'CARE BBB/CARE A3' RATINGS TO THE BANK FACILITIES OF MAHATI INDUSTRIES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	12.50	CARE BBB (Triple B)	Assigned
Short term Bank Facilities	25	CARE A3 (A Three)	Assigned
Total Facilities	37.50		

Rating Rationale

The ratings assigned to the bank facilities of Mahati Industries Private Limited (MIPL), primarily derive strength from its established nature of operations with experienced promoter group, synergies with group concerns and moderate order book providing reasonable revenue visibility over the medium term. Furthermore, the ratings also factor in the satisfactory financial profile marked by comfortable capital structure and healthy profitability margins with moderate liquidity profile.

The ratings are, however, constrained on account of the modest scale of operations, ongoing debt-funded capex, susceptibility of margins to volatility in raw material prices and foreign exchange fluctuations, and presence in a competitive transformer industry.

The ability of the company to complete its capex within the scheduled cost and time frame and achieve the envisaged level of sales amidst volatility in raw material prices is a key rating sensitivity.

Background

Pune-based, Mahati Industries Private Limited (MIPL) was incorporated in May 2013. MIPL was a partnership firm named Mahati Electrics (ME) formed in the year 1971. MIPL is a part of the Mahati group, managed by the members of the Shah family. Mahati Group apart from manufacturing, also undertakes EPC contracts for mega power projects (hydro), EHV Switchyards and BOOT basis small hydro projects. Associate concerns of MIPL are Mahati Electrics Private Limited., Mahati Hydro Power Projects Pvt Ltd, Mahati Hydro Power Vidharbha Private Ltd and Sujay Shah Energy Ventures Private Limited.

MIPL is engaged in manufacturing of electrical power and distribution transformers, panels and other allied devices such as high tension and low tension panels, load banks and power transformers rewinding. It is also involved into sub-contracting for electrical projects, repairing of transformers and service activities like erection, installation and testing of transformers, repairs and maintenance of the same.

MIPL procures copper, steel and CRGO (Cold Rolled Grain Oriented) laminations as raw material from domestic suppliers like Apar Industries Limited (Rated CARE A+), Vikarsh Stampings Pvt Ltd Sesa Sterlite Limited among others.

Domestic clientele includes private sector steel and ferro alloy companies like Matheson K Air India Private Limited, Mahindra Hinoday Industries Limited, Schindler India Private Limited and others. The company also exports to Spain, Georgia and Oman which constituted 15% of revenue in the last three years.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

In FY14 (refers to the period April 1 to March 31), MIPL earned PAT of Rs.3.40 crore on a total operating income of Rs.38.46 crore as against PAT of Rs.1.01 crore on a total operating income of Rs.30.74 crore in FY13. During 9MFY15, the firm earned PAT of Rs.0.78 crore on a total operating income of Rs.15.78 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691