



Press Release

MVR Technology

March 06, 2023

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term Bank Facilities – Cash Credit	22.00	IVR BB-/ Stable (IVR Double B Minus With Stable Outlook)	Assigned	Simple
Fund Based - Long Term Bank Facilities – Cash Credit	8.00	IVR BB-/ Stable (IVR Double B Minus With Stable Outlook)	Assigned	Simple
Non-Fund Based - Short Term Bank Facilities – Bank Guarantee	9.15	IVR A4 (IVR A Four)	Assigned	Simple
Non-Fund Based - Short Term Bank Facilities – Bank Guarantee (Proposed)	30.85	IVR A4 (IVR A Four)	Assigned	Simple
Total	70.00 (Rupees Seventy Crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of MVR Technology factors in the Extensive experience of the partners, Comfortable debt protection metrics & capital structure and Expected substantial improvement in revenue in FY23 & beyond due to entering into new segment with sizeable order book.



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The ratings, however, are constrained by Elongated working capital cycle, Susceptibility to cyclicalities in end-user industries and Low scale of production with Moderate Profitability.

Key Rating Sensitivities:

Upward Factors

- Procurement of new tenders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenues and profitability, liquidity, and debt protection metrics of the company

Downward Factors

- Further elongation of working capital cycle, decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Partners.

The business is managed by M Venkateswara Rao and M Gowtham Srinivas. The partners have an experience of over one decades in the business. The firm has well experienced second line of management having experience of more than one decades in their respective fields. The partners have an understanding of the dynamics of the market which will enable them to establish relationships with suppliers and customers.



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Expected substantial improvement in revenue in FY23 & beyond due to entering into new segment with sizeable order book:

As the firm had already completed projects in the state of Rajasthan which is related to supply of movable weighing machines, the firm has received the tender of INR 345.00 Crore for FSSM in Rajasthan which is under execution where they will have to Design, Supply, Construct, Test, Trial run and commissioning of 5 KLD, 10 KLD, 15 KLD, 20 KLD, 25 KLD and 35 KLD FSTPs towards Faecal Sludge & Septage Management (FSSM) with 10 years operation and maintenance contract.

Comfortable debt protection metrics & capital structure:

The company has moderately leveraged capital structure in FY22 as reflected by Overall Gearing ratio of 0.57x, as on March 31, 2022. Further the debt protection metrics of the company deteriorated as indicated by interest coverage ratio and debt coverage ratio at 2.24x as on March 31, 2022 (2.75x as on March 31, 2021), and DSCR at 1.29x as on March 31, 2022 (2.34x as on March 31, 2021). Moreover, the total indebtedness as indicated by Total Outside Liabilities to Tangible Net worth ratio of 0.65x.

Key Rating Constraints

Elongated working capital cycle:

Operations are working capital intensive, with operating cycle of 220 days as on March 31, 2022, driven by high inventory days of 126 days. Operating cycle is expected to remain elongated over the medium term on account of nature of business.

Susceptibility to cyclicity in end-user industries:

MVR Technology manufactures products such as weighbridges and electronic weighing scales and caters to end-user. Despite the adequate market position in the intensely competitive weighbridge industry, presence of several small regional players, producing low-cost and medium quality goods, limit the pricing flexibility. Furthermore, demand for products such as weighbridges is linked to the capex undertaken by end-user industries. Hence, sales will remain susceptible to intense competition and cyclicity in demand.



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Low scale of production with Moderate Profitability

Firm's scale of operations remains low currently with total operating income of Rs 32.49 Crores when compared to Rs 24.17 Crores in FY21 as the orders are tender based and made to order. However, the firm's major revenue is not confined from single manufacturing product. Therefore, generally the firm manufactures different types of weighting machines, based on order type from the government tender. Profitability remains moderate with a EBITDA margin at 6.77% in FY22 compared 7.09% in FY21. The firm registered its PAT margin at 1.19% in FY22 compared to 1.00% with the value of in FY21. And in further years the EBITDA margin is expected to reduce on account of execution of the order book pertaining to the new segment of Faecal Sludge & Septage Management (FSSM).

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate characterized by gross cash accruals of Rs.1.18 Crore in FY22 with the cash and bank balance of Rs 0.80 Crore. The current and quick ratios remained comfortable at 1.90x and 1.06x respectively as on March 31, 2022. The average working capital utilization of the company remained at ~77% for the past 12 months period ended September 2022. However, Operating Cycle stood elongated to 220 days in FY22 when compared to 207 days in FY21.

About the Company

MVR Technology was established in the year 2014 as a partnership firm and is in the business of Weighing equipment Manufacturing such as Weighbridges , Weigh in Motion systems , Rail in motion , Hopper Weighing Systems , Laboratory Weighing , Table scales , Mobile Weighbridge .



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MVR Technology has its corporate office at 7th Lane, Chandramouli Nagar, Guntur, Andhra Pradesh

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	24.17	32.49
EBITDA	1.71	2.20
PAT	0.24	0.39
Total Debt	18.88	12.21
Tangible Net worth	6.44	21.26
EBIDTA Margin (%)	7.09	6.77
PAT Margin (%)	1.00	1.19
Overall Gearing ratio (X)	2.93	0.57

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	16.90	IVR BB-/ Stable	-	-	-
2.	Cash Credit (Proposed)	Long Term	15.00	IVR BB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	9.15	IVR A4	-	-	-
4.	Bank Guarantee (Proposed)	Short Term	30.85	IVR A4	-	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

S. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Cash Credit	-	-	Revolving	16.90	IVR BB-/ Stable
2	Cash Credit (Proposed)	-	-	Revolving	15.00	IVR BB-/ Stable
3	Bank Guarantee	-	-	Revolving	9.15	IVR A4
4	Bank Guarantee (Proposed)	-	-	Revolving	30.85	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.