

## Rating Rationale

### Brickwork Ratings assigns 'BWR A4' for Bank Credit Facilities aggregating ₹ 10 Cr of Matic Exports Pvt Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**<sup>1</sup> of 'BWR A4' (Pronounced BWR A Four) for the Short term Bank Credit Facilities of ₹10.00 Cr of Matic Exports Pvt Ltd ("MEPL" or "the Company").

Facility	Limit (₹ Cr)	Tenor	Rating
FDB/FBE/BRD	3.00	Short Term	BWR A4 (BWR A Four)
FLC	7.00		
<b>Total</b>	<b>10.00</b>	<b>(INR Ten Crores Only)</b>	

The rating takes comfort from, promoters experience & established track record in textile business, long standing contacts with agents ensuring smooth flow of orders and promoters ability to infuse funds as per business requirement.

The rating is however constrained by relatively small scale of operations restricting economies of scale, profitability susceptible to fluctuations in foreign exchange rates, low profitability and coverage indicators, unfavourable capital structure with relatively low networth, industry characterized by severe competition from organized and unorganized players in market and low value addition and working capital intensive nature of business.

### Background

Matic Export Pvt Ltd (MEPL) is a Merchant Exporter dealing in trading of textile raw material and textile garments. Today (MEPL) has established itself as a renowned player in the market, overseas, having business transactions with countries like South Korea, China, Taiwan and Thailand. The company presently sells these imported goods to Dubai, Hong kong, Brazil, etc. The company started its operations in July 2012.

MEPL is promoted by Mr. Chander Devjani and his brother Mr. Vinod Devjani. Both the promoters have almost 2 decades of experience in textile business with relevant expertise and understanding of latest trends of international markets.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## Operational Details

The company imports the goods based on back to back orders from their customers. The time is of utmost importance in this line of business where in the timely delivery of the goods is very important. The business is based on trust and long term relationship. Generally the procurement is through agents who have ready data of available stock in the principal's godown at a given point of time. The manufacturer also trusts such agents due to their market image and their ability to pay in time. Matic Export Private Limited is the merchant exporter of the goods and so it has to procure the finished goods from the manufacturers. The information about the stock with the manufacturer of the required make and quantity is given by the agents and duration of the delivery is also assured by such agents.

The company generally sells goods to the ultimate buyers through the agents and generally the traders avoid dealing directly with the small buyers because of payments worry. Due to long term established trade practice it is generally safe to deal through agents who assure payments from the ultimate customers.

## Financial Performance

As the company commenced the trading activity in FY13, it has recorded relatively lower revenue of Rs. 15.70 Cr. in FY13.

The firm has recorded the lower operating profit margin of 2.27% in FY13, due to low value addition trading nature of business. Consequently the firm recorded the net margin of 0.3% on account of higher finance cost. The firm is expected to maintain comfortable coverage ratio on account of improvement in operating profitability and stable debt levels. Current ratio is expected to be at comfortable position.

## Outlook

Going forward, company's ability to generate substantial growth in revenues, while improving profitability margins and effectively manage its working capital requirement would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

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