



Press Release

Micon Valves India Private Limited

October 11, 2018

Rating Upgraded

Total Bank Facilities Rated*	Rs. 7.90 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE D**' (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) to the Rs. 7.90 crore bank facilities. Further, Acuite has withdrawn Term loan facility of Rs.0.53 crore of MICON VALVES INDIA PRIVATE LIMITED (MVIPL). The outlook is '**Stable**'.

The upgrade is in the view of default being cured by the company. The rating also factors the improvement in net cash accruals to Rs.2.42 crore in FY2018 (Provisional) from Rs.0.48 crore in FY2017.

MVIPL, incorporated in 1998, was promoted by Mr. Mohd. Ilyas Yusuf Sheikh. The company is engaged in the manufacturing of industrial valves. The manufacturing facility is located at Navi Mumbai (Maharashtra). The products mainly find application in power, petrochemical and fertilizer industries. The company caters to reputed customers including Bharat Heavy Electricals Limited (BHEL) and Hindustan Petroleum Corporation Limited (HPCL) to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MVIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter possesses extensive experience of more than two decades in the industry. Being backed by the experience, the company has been able to establish long-standing relationship with the clients.

- **Reputed and diversified clients**

MVIPL has an established customer base such as Bharat Heavy Electricals Limited (BHEL) and Hindustan Petroleum Corporation Limited (HPCL), National Thermal Power Corporation Limited (NTPC) among others.

Weaknesses

- **Below average financial risk profile**

MVIPL has below average financial risk profile marked by tangible net worth of Rs.4.59 crore as on 31 March, 2018 (Provisional) as against Rs.2.56 crore as on 31 March, 2017. The gearing stood at 1.13 times as on 31 March, 2018 (Provisional) as against 2.15 times as on 31 March, 2017. The debt of Rs.5.19

crore mainly consists of term loan of Rs.2.16 crore, unsecured loan from Director of Rs.0.38 crore and working capital borrowings of Rs.2.65 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 5.07 times in FY2018 (Provisional) as against 1.58 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.82 times as on 31 March, 2018 (Provisional) as against 4.37 times as on 31 March, 2017. Going forward, Acuite expects the company to maintain its financial risk profile in the absence of major debt funded capex plans.

• Working capital intensive operations

The operations are working capital intensive as reflected from the high Gross Current Assets (GCA) of 319 days as on 31 March, 2018 (Provisional) as against 403 days as on 31 March, 2017 due to high inventory of 196 days and debtor of 157 days. Further, the average utilisation of working capital is ~99.68 percent.

Outlook: Stable

Acuite believes that MVIPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in the scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.04	5.57	5.06
EBITDA	Rs. Cr.	1.54	1.28	0.91
PAT	Rs. Cr.	2.03	0.04	-0.20
EBITDA Margin	(%)	19.17	23.00	17.97
PAT Margin	(%)	25.24	0.67	-4.03
ROCE	(%)	37.46	10.10	15.92
Total Debt/Tangible Net Worth	Times	1.13	2.15	3.12
PBDIT/Interest	Times	5.07	1.58	1.29
Total Debt/PBDIT	Times	1.39	4.12	5.98
Gross Current Assets (Days)	Days	319	403	398

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Mar-2018	Term Loan	Long Term	0.53	ACUITE D (Indicative)
	Term Loan	Long Term	3.66	ACUITE D (Indicative)
	Cash Credit	Long Term	2.49	ACUITE D (Indicative)
	Letter of Credit	Short Term	0.43	ACUITE D (Indicative)
	Bank Guarantee	Short Term	0.43	ACUITE D (Indicative)
	Proposed Bank Facility	Short Term	0.36	ACUITE D (Indicative)
14-Feb-2017	Term Loan	Long Term	0.53	ACUITE D (Assigned)
	Term Loan	Long Term	3.66	ACUITE D (Assigned)
	Cash Credit	Long Term	2.49	ACUITE D (Assigned)
	Letter of Credit	Short Term	0.43	ACUITE D (Assigned)
	Bank Guarantee	Short Term	0.43	ACUITE D (Assigned)
	Proposed Bank Facility	Short Term	0.36	ACUITE D (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	30-Sep-2021	1.68	ACUITE B- / Stable (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50 (Enhanced from Rs.2.49 Crore)	ACUITE B- / Stable (Upgraded from ACUITE D)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50 (Enhanced from Rs.0.43 Crore)	ACUITE A4 (Upgraded from ACUITE D)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00 (Enhanced from Rs.0.43 Crore)	ACUITE A4 (Upgraded from ACUITE D)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.22	ACUITE B- / Stable (Upgraded from ACUITE D)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.53	ACUITE D (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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