

Press Release

Micon Valves India Private Limited

December 27, 2019



Rating Downgraded

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

Refer Annexure for details

* The issuer did not co-operate; Based on best available information.

Acuité has downgraded the long-term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE B-' (read as ACUITE B minus)** and the short term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE A4' (read as ACUITE A four)** on the Rs. 7.90 crore bank facilities of Micon Valves India Private Limited (MVIPL).

The downgrade in the rating reflects persistent delays in servicing of debt obligation.

MVIPL is promoted by Mr. Mohd. Ilyas Yusuf Sheikh and is engaged in the manufacture of industrial valves of varied grades and sizes. The manufacturing facility of MVIPL is located at Rabale - Navi Mumbai, Maharashtra and its products mainly find application in the power, petrochemical and fertilizer industries. The company caters to reputed customers which include Bharat Heavy Electricals Limited (BHEL) and Hindustan Petroleum Corporation Limited (HPCL) among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MVIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The company was established as a proprietorship firm in 1989 and then the constitution was changed to private limited company in 1998. Thus, have an operational track record of over three decades. The promoter possesses extensive experience of over three decades in the industry. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationship with its customers and suppliers. Acuité believes that MVIPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- Delays in debt servicing**

The rating reflects delays in servicing of debt obligations. There have been instances of Letter of Credit (LC) devolvement and delay in servicing of principal and interest payments of term loans during the last three months.

- Below average financial risk profile**

The financial risk profile has remained below average marked by low tangible net worth of Rs. 4.52 crore as on 31 March, 2019 as against Rs. 4.36 crore as on 31 March, 2018. The gearing (debt-to-equity) stood at 0.89 times as on 31 March, 2019 as against 1.11 times as on 31 March, 2018. The total debt outstanding of Rs. 4.04 crore as on 31 March, 2019 comprises of Rs. 2.59 crore of working capital borrowings, Rs. 1.41 crore of long term debt and Rs. 0.04 crore of unsecured loans. The interest coverage ratio deteriorated and stood at 1.79 times for FY2019 as against 4.34 times in FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.13 times as on 31 March, 2019 as against 2.12 times as on 31 March, 2018. The net cash accruals stood at Rs. 0.57 crore in FY2019 as against Rs. 2.71 crore in FY2018.

- **Working capital intensive operations**

The company has working capital intensive operations marked by Gross Current Assets (GCA) of 256 days in FY2019 as against 383 days in FY2018. The reason for increase in GCA days is majorly on account of high inventory holding period and receivables in FY2019 and FY2018. The inventory holding period stood at 114 days in FY2019 as against 93 days in FY2018. The receivables days also stood high at 151 days in FY2019 as against 297 days in FY2018. Acuité believes that the ability of the company to maintain its working capital operations will be key rating sensitivity.

Material Covenants

None

Liquidity Position: Stretched

The company has stretched liquidity marked by low net cash accruals of Rs. 0.57 crore against maturing debt obligations of Rs. 0.71 crore for the same period. Gross Current Asset (GCA) days stood high at 256 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.04 crore as on 31 March, 2019. The current ratio stood at 1.15 times as on 31 March, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	11.20	6.77	5.57
EBITDA	Rs. Cr.	1.39	1.35	1.28
PAT	Rs. Cr.	0.15	2.21	0.04
EBITDA Margin	(%)	12.37	19.98	23.00
PAT Margin	(%)	1.38	32.70	0.67
ROCE	(%)	11.84	35.71	10.10
Total Debt/Tangible Net Worth	Times	0.89	1.11	2.15
PBDIT/Interest	Times	1.79	4.34	1.58
Total Debt/PBDIT	Times	2.79	1.36	4.12
Gross Current Assets (Days)	Days	256	383	403

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Oct-2018	Term loan	Long Term	1.63	ACUITE B-/ Stable (Upgraded from ACUITE D)
	Cash Credit	Long Term	2.50	ACUITE B-/ Stable (Upgraded from ACUITE D)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Upgraded from ACUITE D)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Upgraded from ACUITE D)
	Proposed Bank Facility	Long Term	1.22	ACUITE B-/ Stable (Upgraded from ACUITE D)

	Term loan	Long Term	0.53	ACUITE D (Withdrawn)
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	Long 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	Long 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 loan	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE D (Downgraded from ACUITE B-/ Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE D (Downgraded from ACUITE B-/ Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D (Downgraded from ACUITE A4)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE D (Downgraded from ACUITE A4)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.92	ACUITE D (Downgraded from ACUITE B-/ Stable)

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About Acuité Ratings & Research:

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