

Press Release

Mks Enterprises

March 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.01 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 7.01 crore bank facilities of Mks Enterprises. The outlook is '**Stable**'.

Incorporated in 2014, MKS Enterprises (MKS) was promoted by Mr. Shrikant Bhangdiya. The firm is engaged in the manufacturing of high density poly ethylene (HDPE) and PP (Poly Propylene) woven bags and fabrics (laminated/unlaminated) at its plant at Nagpur, Maharashtra. These sacks/bags are used in cement, sugar and construction industries.

Key Rating Drivers

Strengths

- **Experienced management**

The promotor, Mr. Shrikant Bhangdiya (Partner), has more than two decades of experience in the plastic industry and manages the day-to-day operations.

- **Healthy revenue growth**

The operating income growth rate has been strong over the previous year on the back of increase in order book value. The operating income stood at Rs.20.54 cr in FY2016 as against Rs.10.31 cr in FY2015. For 10MFY2017, the operating income stood at Rs.17.00 cr.(Provisional)

- **Average financial risk profile**

The financial risk profile is marked by moderate net worth of Rs.10.25 cr as on 31 March 2016. The Gearing stood at 0.63 times as on 31 March 2016 as compared to 0.67 times as on 31 March 2015. The ICR stood at 2.92 times in FY2016. The DSCR stood at 2.05 times in FY2016.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with Gross Current Assets of 258 days on account of high debtor and inventory levels of 118 and 141 days respectively. Further, the firm's liquidity profile is stretched as it fully utilises its working capital limits.

- **Profitability is susceptible to volatility in raw material prices**

The profitability of MKS is susceptible to volatility in raw material prices as the price of granules used in making of HDPE woven bags and sacks are directly linked to volatility in crude oil prices.

- **Fluctuating operating margins**

The operating margins have shown a fluctuating trend on account of volatility in raw material prices (plastic granules) and stood at 7.05 per cent in FY2016 as against 6.55 per cent in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MKS Enterprises while arriving at the rating.

Outlook: Stable

SMERA believes that the outlook will remain stable and the firm will benefit over the medium term from its experienced management. The outlook may be revised to Positive in case of a steady and diversified revenue profile with stable operating margins. Conversely, the outlook may be revised to 'Negative' in case the firm faces stretched working capital cycle or registers fall in revenue.

About the Rated Entity - Key Financials

For FY2015-16, the firm registered profit after tax (PAT) of Rs.0.23 cr on operating income of Rs.20.54 cr as against net loss of Rs.0.11 cr on operating income of Rs.10.31 cr in the previous year. The net worth stood at Rs.10.25 cr as on 31 March 2016 as compared to Rs.7.50 cr as on 31 March 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Jan-2020	3.01	SMERA BB / Stable

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