

Press Release

Mukesh & Co

April 11, 2017

Rating Assigned

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|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 16.00 Cr. |
| Long Term Rating | SMERA BBB- / Outlook: Stable |
| Short Term Rating | SMERA A3 |

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 16.00 crore bank facilities of Mukesh & Co. The outlook is '**Stable**'.

The Bangalore-based Mukesh and Co (MAC) is a proprietorship firm promoted by Mr. Mukesh Tibrewala in 1997. The firm trades in iron and steel products, primarily TMT bars.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

Mukesh & Co was established in 1997 by Mr. Mukesh Tibrewala. The promoter has more than two decades of experience in the iron and steel industry.

- Strong financial risk profile and comfortable liquidity**

The strong financial risk profile is marked by its low gearing, high interest coverage ratio and strong debt protection measures. Debt equity stood at 0.42 times and interest coverage at 7.15 times in FY2016. Moreover, Net Cash Accruals to Total Debt (NCA/TD) registered 0.84 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 7.30 times in FY2016. SMERA also derives comfort from the fact that there are no long term debt obligations. The net worth has been comfortable at Rs 15.16 cr in FY2016. The firm has a comfortable liquidity position as marked by healthy net cash accruals of Rs 5.38 cr in FY2016. The cash and bank balance stood at Rs 0.71 cr in FY2016. In the last six months ended December 2016, the firm utilised only 70 per cent of its cash credit facility. SMERA believes that the financial risk profile of the firm would be sustained over the medium term backed by steady growth and consistent accruals.

- Efficient working capital management**

The efficient working capital management is marked by low gross current asset days of 61 days in FY2016. The inventory days have been low at 8, the creditor days at 15 and debtor days at 47 in FY2016.

- Steady revenue growth and improvement in margins**

Revenue registered increased from Rs 109.74 cr in FY2015 to Rs 133.41 cr in FY2016. Till mid January 2017, the firm earned revenue of Rs 136 cr (Provisional). The operating margin improved from 4.50 per cent in FY2015 to 4.58 per cent in FY2016 while it has a profit margin of 4.00 per cent in FY2016. The margins are in line with the trading nature of its operations.

- Established relationship with customers and suppliers**

Around 80 per cent of TMT Bars and its structural products are procured from BMM Ispat Limited

with the balance from other suppliers (like V R K P Steel Industries Pvt Ltd, Jindal Steel & Power Ltd). The firm mainly caters to builders and construction companies such as Amity Buildings and Developers, Yuva Infra Builders based out of Karnataka. Recently, the firm received sole distributorship rights for TMT bars of BMM Ispat Limited for five districts (out of total 30 districts) in Karnataka.

Weaknesses

- **Exposure to inherent cyclical**

Since the construction and infrastructure sectors are the end users, the firm remains exposed to the inherent cyclical in the aforementioned industries.

- **Susceptibility of margins to fluctuations in steel prices**

The profit margins and sales of the firm remain exposed to the inherent cyclical in the steel industry and fluctuations in steel prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that MAC will maintain a stable outlook and continue to benefit over the medium term from the proprietors' vast experience. The outlook may be revised to 'Positive' if MAC achieves more than the envisaged sales and profitability while maintaining its financial risk profile. Conversely the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16 the firm reported Profit After Tax (PAT) of Rs.5.34 cr on total operating income of Rs.133.41 cr as compared to PAT of Rs.4.43 cr on total operating income of Rs.109.74 cr in FY2014-15.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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 | 5.00 | SMERA BBB- / Stable |

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|------------------------------------|----------------|----------------|----------------|------|---------------------|
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA BBB- / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A3 |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A3 |

Contacts

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ABOUT SMERA

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