

Press Release

MUKESH & CO

12 April, 2018

Rating Upgrade



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 upgraded long-term rating of '**SMERA BBB**' (**read as SMERA triple B**) from '**SMERA BBB- (read as SMERA triple B minus)**' and short term rating of '**'SMERA A3+' (read as SMERA A three plus)**' from '**'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 (Mukesh) is a proprietorship firm promoted by Mr. Mukesh Tibrewala in 1997. The firm trades in iron and steel products, primarily TMT bars. The company procured 80 per cent of its raw material from BMM Ispat Limited and rest from the other suppliers in Bangalore. Mukesh mainly caters to the builders and construction companies along with other suppliers in and around Karnataka.

The rating upgrade takes into account significant growth in revenue, improvement in financial risk profile and well managed working capital. SMERA believes that going forward; the company will sustain growth in revenues along with profitability margins over the medium term.

Key Rating Drivers

Strengths

- Experienced management and long track record of operation**

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. Over the years, the company has been able to establish comfortable relationships with its key suppliers and customers.

- Healthy financial riskprofile**

The healthy financial risk profile of the company is marked by moderate networth, comfortable gearing and robust debt protection metrics. The net worth of the company stood moderate at Rs.19.19 crore in FY2017 as compared to Rs.15.16 crore in FY2016. The gearing of the company stood comfortable at 0.42 times in both FY2017 as compare to 0.42 times well as FY2016. Total debt of Rs 8.14 crore consists of unsecured loan from promoters of Rs 3.81 crore and Rs 4.32 crore of short term debt from bank. The total outside liability against tangible net worth (TOL/TNW) stands comfortable at 0.79 times in FY2017 as compared to 0.76 times in previous year. The interest coverage ratio (ICR) of the company stood comfortable at 15.38 times in FY2017 as compared to 7.30 times in FY2016. The net cash accruals against the total debt stand comfortable at 0.77 times in FY2017 as compare to 0.84 times in FY2016.

- Efficient working capital management**

The working capital management of the company is marked by gross current asset (GCA) days of 65 in FY2017 as against 61 days in the previous year. The inventory days stand comfortable at 7 days in FY2017 and 9 days in FY2016. The collection days moderate at 53 and 47 days respectively in FY2017 and FY2016. The working capital cycle of the company also stands comfortable at 44 days in FY2017 as compare to 41 days in the previous year.

Weaknesses

- **Presence in highly competitive and fragmented industry:**

The steel products trading industry is a highly fragmented industry and there is large number of organized and unorganized players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganized segment. Also, on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

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

The profit margins and sales of the company remains exposed to inherent cyclicalities in the steel industry and fluctuations in steel prices.

Analytical Approach

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

Outlook: Stable

SMERA believes that Mukesh will continue to benefit over the medium term from the proprietors vast experience and from its established relationship with its key suppliers. The outlook may be revised to 'Positive' if Mukesh achieves more than envisaged sales and profitability while maintaining its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	164.52	133.41	109.74
EBITDA	Rs. Cr.	6.61	6.11	4.94
PAT	Rs. Cr.	6.18	5.34	4.43
EBITDA Margin	(%)	4.02	4.58	4.50
PAT Margin	(%)	3.75	4.00	4.04
ROCE	(%)	27.04	29.77	29.48
Total Debt/Tangible Net Worth	Times	0.42	0.42	0.58
PBDIT/Interest	Times	15.38	7.30	7.82
Total Debt/PBDIT	Times	1.22	1.03	1.44
Gross Current Assets (Days)	Days	65	61	46

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Apr-2017	Cash Credit	Long Term	INR 5.00	SMERA BBB-/ Stable (Assigned)
	Proposed Cash Credit	Long Term	INR 5.00	SMERA BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	INR 3.00	SMERA A3 (Assigned)
	Proposed Bank Guarantee	Short Term	INR 3.00	SMERA A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BBB/ Stable (Upgrade)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A3+ (Upgrade)

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ABOUT SMERA

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