

Press Release

MYSORE ENTERPRISES

March 06, 2018

Rating Reaffirmed



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 8.00 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 8.00 crore bank facilities of MYSORE ENTERPRISES. The outlook is '**Stable**'.

Mysore Enterprises (ME), a partnership firm established in 1980 by Mr. Anil Kumar Agarwal is engaged in the processing of iron and steel scrap. The firm is led by the founding partner, Mr. Anil Kumar Agarwal.

Key Rating Drivers

Strengths

- **Experienced management**

The firm, established in 1980, is led by Mr. Anil Kumar Agarwal who has more than three decades of experience in the iron and steel industry.

- **Average financial risk profile**

The average financial risk profile is marked by moderate net worth of Rs. 4.30 crore in FY2017 and increase from Rs.4.16 crore in FY2016, mainly due to retention of current year profit. The gearing increased to 2.11 times in FY2017 as against 1.99 times in FY2016, mainly on account of increase in short term debt obligation. However, the interest coverage ratio is moderate at 1.39 times in FY2017. The debt service coverage ratio stood at a comfortable 1.28 times in FY2017. The NCA/TD stood at 0.06 times in FY2017.

Weaknesses

- **Modest scale of operations**

While operations commenced in 1980, the scale is modest at Rs.18.07 crore in FY2017. The decline from Rs.19.48 crore in FY2016 is mainly due to fall in raw material prices.

- **Working capital intensive operations**

The operations are working capital intensive marked by GCA days of 266 in FY2017, an increase from 223 days in FY2016. This is mainly on account of increase in debtor days of 141 in FY2017 as against 109 days in FY2016. The inventory days stood at 117 in FY2017 as against 66 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of ME.

Outlook: Stable

SMERA believes that ME will maintain a stable outlook in the medium term on account of its experienced management and moderate scale of operations. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 18.07 | 19.48 | 23.63 |
| EBITDA | Rs. Cr. | 1.94 | 1.67 | 1.20 |
| PAT | Rs. Cr. | 0.47 | 0.38 | 0.30 |
| EBITDA Margin | (%) | 10.74 | 8.59 | 5.10 |
| PAT Margin | (%) | 2.60 | 1.93 | 1.27 |
| ROCE | (%) | 14.82 | 12.33 | 17.20 |
| Total Debt/Tangible Net Worth | Times | 2.11 | 1.99 | 2.64 |
| PBDIT/Interest | Times | 1.39 | 1.40 | 1.50 |
| Total Debt/PBDIT | Times | 4.54 | 4.94 | 7.66 |
| Gross Current Assets (Days) | Days | 266 | 223 | 197 |

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

NA

Any other information

NA

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)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-------------------|
| 09-Oct-2017 | Cash Credit | Long Term | INR 8 | SMERA B+ / Stable |

*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 | 8.00 | SMERA B+ / Stable |

| Analytical | Rating Desk |
|---|---|
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ABOUT SMERA

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