

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 riskprofile

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 ofoperations**

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 intensiveoperations

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
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.