

Press Release

MICHAEL AND MICHAEL PIPES PRIVATE LIMITED

February 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.90 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 6.90 crore bank facilities of MICHAEL AND MICHAEL PIPES PRIVATE LIMITED. The outlook is '**Stable**'.

The Kerala-based Michael and Michael Pipes Private Limited (MMPPL) was incorporated in 1990 by Mr T.M. Michael. The company undertakes civil work and is also engaged in the manufacturing of R.C.C pipes.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr T.M Michael has experience of more than three decades in the manufacturing of RCC pipes and also undertakes civil and electrical work. Mr Michael is a Class A PWD contractor and is assisted by Mr Shino Michael (oversees the manufacturing of RCC pipes), Mr Shone Michael and Mr Ciril Michael who lead the works contract division. Mr Shino Michael, Mr Shone Michael and Mr Ciril Michael have experience of more than two decades in the industry.

- **Reputed customers**

MMPPL's reputed client base includes KalpaTaru Power Transmission Ltd, TRACCO Cable Ltd, KSEB Ltd, Larsen and Toubro Ltd. The company undertakes work contracts for laying pipes. Further, the company has also been catering to Delhi Metro Rail Corporation Ltd (Kochi Metro Rail Project) for the last eight years.

- **Moderate financial risk profile**

The financial risk profile of MMPPL is moderate marked by a net worth of Rs 4.96 crore in FY2017 as against Rs 4.98 crore in FY2016. The gearing deteriorated from 0.86 times in FY2016 to 1 times in FY2017. The Interest Coverage Ratio stood at a healthy 3.22 times in FY2017 as against 2.59 times in FY2016. The DSCR stood at 2.84 times in FY2017 as against 2.46 times in FY2016.

Weaknesses

- **Working capital intensive operations**

The working capital intensive operations are marked by high GCA days of 133 in FY2017 compared to 571 days in FY 2016. The GCA days are mainly dominated by high debtor days of 89 in FY2017 as compared to 159 in FY2016. The cash credit facility has been fully utilised.

- **Uneven revenue trend due to tender based operations and modest scale of operations**

The revenue profile of MMPPL showed an uneven trend during the period under study. The revenues in FY 2017 were Rs 17.51 crore as against Rs 2.46 crore in FY 2016 and Rs 3.20 crore in FY 2017. The uneven revenue profile is due to the tender based business of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Michael and Michael Pipes Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that MMPPL will maintain a Stable outlook and continue to benefit over the medium term from its promoter's extensive industry experience and financial risk profile. The outlook may be revised to 'Positive' in case of sustainable improvement in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.51	2.46	3.20
EBITDA	Rs. Cr.	2.09	0.88	0.65
PAT	Rs. Cr.	0.56	0.02	0.03
EBITDA Margin	(%)	11.93	35.58	20.33
PAT Margin	(%)	3.21	0.75	1.03
ROCE	(%)	16.04	6.07	14.45
Total Debt/Tangible Net Worth	Times	1.00	0.86	0.56
PBDIT/Interest	Times	3.22	2.59	2.27
Total Debt/PBDIT	Times	2.84	2.46	2.12
Gross Current Assets (Days)	Days	133	571	394

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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	1.90	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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