

Press Release

MICRON ENTERPRISES PRIVATE LIMITED

March 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.88 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 minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 11.88 crore bank facilities of MICRON ENTERPRISES PRIVATE LIMITED. The outlook is '**Stable**'.

Uttar Pradesh-based, Micron Enterprises Private Limited (MEPL) was incorporated in 1999 by Mr. Raj kumar Kakkar, Mr. Gautam Kakkar and Mr. Sachin Kamra. MEPL is engaged in manufacturing of MS Wire, HR Coil, CR Coil, Wire Mesh and Ms Nails. Further the company has installed capacity of 1500 MT per month.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

MEPL was incorporated in 1999 by Rajkumar Kakkar Mr. Gautam Kakkar and Mr. Sachin Kamra. The directors of the company have over three decades of experience in the aforementioned line of business. The company will continue to benefit for the extensive experience of promoters and established presence of the company in the steel product industry.

- Average working capital cycle**

The company has moderate working capital cycle marked by gross current assets (GCA) of 183 days in FY2017 as against 125 days in FY2016. This is on account of inventory holding of 83 days in FY2017 as against 36 days in FY2016 and debtors of 96 days in FY2017 as against 81 days in FY2016.

- Comfortable operating margin**

MEPL has comfortable operating margins marked by EBITDA margin of 4.42 percent in FY2017 as compared to 3.58 percent in FY2016 and 3.45 percent in FY2015.

Weaknesses

- Fragmented and cyclical industry**

The company's operations and profitability are susceptible to the inherent cyclicity in the steel industry and volatility in the steel prices that can have an adverse impact on profitability. Any adverse change in demand or prices may adversely affect the company's operations.

- Weak financial risk profile**

The company has weak financial risk profile marked by net worth of Rs.5.09 crore as on 31 March 2017 as against Rs.4.90 crore as on 31 March 2016. The company has a gearing (debt-to-equity ratio) of 2.38 times as on 31 March 2017 compared to 2.01 times in the previous year. The total debt is of Rs. 12.13 crore and working capital borrowing is of Rs. 9.75 crores as on 31 March 2017. The debt protection metrics stands comfortable as reflected in interest coverage ratio (ICR) of 1.36 times in FY2017 as against 1.47 times in FY2016. The net cash accruals of MPEL stood at Rs. 0.52 crores in FY2017 as against Rs. 0.55 crores in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MEPL to arrive at the rating.

Outlook: Stable

SMERA believes that the MEPL will continue to benefit over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to negative if there is steep decline in company's revenues and profitability or deterioration in company's financial risk profile owing to higher than expected working capital requirements

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.71	12.37	12.69
EBITDA	Rs. Cr.	12.82	9.33	10.48
PAT	Rs. Cr.	7.00	3.65	2.90
EBITDA Margin	(%)	81.60	75.42	82.56
PAT Margin	(%)	44.52	29.54	22.83
ROCE	(%)	24.17	10.42	18.32
Total Debt/Tangible Net Worth	Times	0.02	0.01	0.08
PBDIT/Interest	Times	12.33	89.71	11.17
Total Debt/PBDIT	Times	0.06	0.03	0.30
Gross Current Assets (Days)	Days	767	661	931

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

None

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	9.50	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.63	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA A4

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ABOUT SMERA

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