



Press Release

MICRON ENTERPRISES PRIVATE LIMITED

July 07, 2023

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.27	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	11.88	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	16.15	-	-

Rating Rationale

Acuite has upgraded its long term rating of 'ACUITE BB-' (read as ACUITE double B minus) from Acuite B+ (read as ACUITE B plus) on the Rs.11.88 Cr. bank facilities of Micron Enterprises Private Limited (MEPL). The outlook is 'Stable'.

Further, Acuite has assigned a long-term rating of 'ACUITE BB-' (read as ACUITE double B

minus) on the Rs.4.27 Cr. bank facilities of Micron Enterprises Private Limited (MEPL). The outlook is 'Stable'.

Rationale for the upgrade

The rating upgrade is majorly on account on improvement in business risk profile of the company reflected by increase in revenue from operations in last couple of years. The revenue from operations of the company increased to Rs.81.45 Cr. in FY22 from Rs. 54.58 Cr. in FY21. Furthermore, the company has registered growth in revenues to the tune of Rs.97.01 Cr. in FY23 (Provisional). The rating also draws comfort from the experienced promoter and the company's long track record of operations of the company in the industry. These strengths are, however, offset by the volatile profitability margins and moderate financial risk profile of the company. Also, the rating is constrained by working capital intensive nature of operations and stretched liquidity position of the company.

About the Company

Incorporated in 2005 in Ghaziabad (Uttar Pradesh, India), "Micron Enterprises Pvt. Ltd." is a reputed manufacturer, trader, and supplier of Wires, CR strips, HR

and CR coils, and Packing Strips. The company manufactures these products using high-quality raw materials and advanced technology as per the set industrial standards. They offered products that are highly demanded among their clients for their features like dimensional accuracy, high strength, light weight, anti-corrosive, easy to install, smooth finish, superior quality, and sturdy design. The company offers these products in different specifications as per the information laid down by our clients.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MEPL to arrive at the rating.

Key Rating Drivers Strengths

Long track record of operations and experienced management

MEPL was incorporated in 1999 in Ghaziabad, Uttar Pradesh, by Rajkumar Kakkar, Mr. Guatam Kakkar and Mr. Sachin Kamra. The promoters of the company have over three decades of experience in the aforementioned line of business. The extensive experience of the promoters and strong second line of management have helped the company to established and maintain long term relationships with its customers and suppliers.

Acuité believes that the company will continue to benefit from the extensive experience of promoters and the established presence of the company in the over the medium term.

Improvement in business risk profile

The business risk profile of the company witnessed improvement marked by healthy increase in revenue from its operations. The company's revenue from operations increased to Rs. 81.45 Cr. in FY22 from Rs. 54.58 Cr. in FY21. Furthermore, the company has registered growth in revenues to the tune of Rs. 97.01 Cr. in FY23 (Provisional). The improvement is mainly on account of an increase in production capacity by installing new machines and is supported by high demand for its products.

However, the company's operating margin remained volatile over the years due to volatility in raw material prices. The operating profit margin of the company stood at 4.35 percent in FY23 (Provisional) as against 3.85 percent in FY22 and 6.69 percent in FY21. The company also reported profit after tax of Rs.0.87 Cr. in FY23 (Provisional) as against Rs.0.85 Cr. in FY22 and Rs.0.44 Cr. in FY21.

Acuité believes that the revenues of the company will continue to show positive momentum on account of healthy demand and new machineries installed by the company over the medium term.

Weaknesses

Moderate Financial Risk Profile

The company's financial risk profile is moderate, marked by low net worth, high gearing, and moderate debt protection metrics. The company's net worth stood at Rs. 9.02 Cr as on March 31 2023 (Provisional), as against Rs. 8.13 crore as on March 31, 2022, and Rs. 7.39 crore as on March 31, 2021.

The gearing of the company remained high at 2.31 times as of March 31, 2023 (Provisional), as compared to 2.08 times as of March 31, 2022, and 2.82 times as of March 31, 2021. The total debt of the company as on March 31, 2023 (Provisional) stood at Rs. 20.83 Cr., mainly consisting of long-term debt of Rs. 8.32 Cr. and short-term debt of Rs. 12.51 Cr. The total outside liabilities/tangible net worth (TOL/TNW) stood high at 3.36 times as of March 31, 2023 (provisional) as against 3.32 times as of March 31, 2022. The debt protection matrices of the company remain modest, marked by an interest coverage ratio of 1.71 times for FY23 (Provisional) and a debt service coverage ratio of 1.64 times during the same period.

Acuité believes the financial risk profile of the company will remain moderate over the medium term on account of the deterioration in profitability and the absence of any major debt-funded capex over the medium term.

Working capital-intensive nature of operations

The working capital management of the company remained intensive, marked by a high Gross Current Assets (GCA) of 124 days for FY2023 (Provisional) as compared to 134 days for the same period last year. The debtor period stood at 54 days for FY2023 (Provisional) as against FY2022. Further, the inventory holding stood at 55 days for FY2023 (Provisional) as against 64 days for FY2022. The payment cycle varies from 30 to 40 days. Furthermore, in the last six months ended April 2023, the company's average working capital utilisation remained high at 92%, and during some months the limits were utilised fully.

Acuité believes that the working capital operations of the company will remain at the similar level as evident from high GCA days over the medium term.

Rating Sensitivities

- Improvement in the scale of operations.
- Elongation in working capital cycle.
- Deterioration in financial risk profile

Material covenants

None

Liquidity Position

Stretched

The liquidity position of the company remained stretched on account of high utilisation of its working capital limits, led by the working capital nature of operations. The average utilisation of its fund-based limit remains high at 92 percent over the six months ending April 2023, and for some months it remained fully utilised. The working capital management of the company remained intensive, marked by a high Gross Current Assets (GCA) of 124 days for FY2023 (Provisional) as compared to 134 days for the same period last year. The current ratio stood at 1.34 times as of March 31, 2023 (Provisional). However, the company generated adequate cash flow, as evidenced by net cash accruals of Rs. 1.59 Cr. as of March 31, 2023 (Provisional). The cash and bank balances of the company stood at Rs. 0.10 Cr. as of March 31, 2023 (Provisional).

Acuité believes that the liquidity position of the company will continue to remain stretched on account of high utilisation of working capital limits led by working capital intensive nature of operations.

Outlook: Stable

Acuité believes that the society will maintain a 'Stable' outlook over the medium term on account of the established track record of the society and experienced professionals as trustees. The outlook may be revised to 'Positive' if the society achieves substantial improvement in its gearing. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability leading to deterioration in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	97.01	81.45
PAT	Rs. Cr.	0.89	0.85
PAT Margin	(%)	0.92	1.05
Total Debt/Tangible Net Worth	Times	2.31	2.08
PBDIT/Interest	Times	1.71	1.91

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Feb 2023	Cash Credit	Long Term	9.50	ACUITE B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	0.75	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	1.63	ACUITE B+ (Issuer not co-operating*)
19 Nov 2021	Cash Credit	Long Term	9.50	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	1.63	ACUITE B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	0.75	ACUITE A4 (Issuer not co-operating*)
24 Aug 2020	Term Loan	Long Term	1.63	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	0.75	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	9.50	ACUITE B+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.88	ACU BB- Stab Upgra
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.12	ACU BB- Stab Assign
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACU BB- Stab Assign
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.10	ACU BB- Stab Assign
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.05	ACU BB- Stab Assign

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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