

Press Release

M L K Exports Private Limited

August 22, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of M L K Exports Private Limited. The outlook is '**Stable**'.

M L K Exports Private Limited was incorporated in 2005 by Mr. Sharad Kapoor and Mr. Shishir Kapoor. The company is based at Lucknow. The company is engaged in the manufacturing and exports of garments. The company manufactures garments catering to kids, men & women. The company exports the manufactured garments to countries like Turkey, USA, Australia, Italy, Spain, France, Mauritius, U.K and Japan among others.

Key Rating Drivers

Strengths

- **Experienced Management**

MLKEPL incorporated in 2005 by Mr. Sharad Kapoor & Mr. Shishir Kapoor. The promoters have been in the garment manufacturing industry for two decades. The company is engaged in manufacturing and export of garments. The company is diversified into production of kids wear, men's wear and women's wear. Acuité believes that MLKEPL's business risk profile is expected to improve with multiple brand orders and a range of garment manufacturing options.

- **Average financial risk profile**

MLKEPL has an average financial risk profile. The net worth of the company stood at Rs. 11.06 crore for FY2018 (Provisional) as against Rs.10.41 for FY2017. The gearing (debt to equity ratio) stood at 0.18 times (Provisional) for FY2018 as compared to 0.04 times for FY2017. The interest coverage ratio (ICR) stood at 12.16 times (Provisional) for FY2018 (Provisional) as against 10.19 times for FY2017. The NCA/TD ratio stood at 0.50 for FY2018 (Provisional) as against 2.62 times for FY2017.

- **Operational comfort**

The company is relatively low on debt funded operations. The company avails no long term debt and is only funded for their annual working capital requirements. MLKEPL receives 30% of the order amount as advance and the remaining 70% before shipment. This gives the company an extent of financial ease for executing their orders. The company also keeps a 5% cushion on all export orders to safeguard itself against any sort of foreign exchange fluctuation.

Weaknesses

- **Modest scale of operations**

MLKEPL is engaged in garment manufacturing and export. For FY2019, MLKEPL propose to reach a revenue target of Rs. 22.00 crore. Although the company manufactures for a lot of brands known internationally, decline in margins coupled with rising costs due to change in government policies have kept the operations to a modest scale. The net cash accruals have declined to 6.10 percent for FY2018 (Provisional) from 6.62 percent for FY2017.

- **Uneven revenue trends with declining profitability margins**

MLKEPL has been observing an uneven revenue trend since FY2016. The company earned revenue of

Rs. 22.15 crore for FY2016, Rs. 15.03 crore for FY2017 and Rs. 16.50 crore for FY2018 (Provisional). The operating margins have also declined to 6.79 percent in FY2018 (Provisional) from 8.69 in FY2017. The PAT margins have further declined to 3.95 percent for FY2018 (Provisional) from 4.26 percent for FY2017. The Return on Capital Employed has also declined from 31.62 percent for FY2016 to 9.20 percent for FY2018 (Provisional).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of M L K Exports Private Limited (MLKEPL) to arrive at this rating.

Outlook: Stable

Outlook: Stable Acuité believes MLKEPL will maintain stable business risk profile over the medium term on account of its experienced management and clientele. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers deterioration in its liquidity profile or financial risk profile due to major debt funded capex plan or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.50	15.06	22.15
EBITDA	Rs. Cr.	1.12	1.31	3.31
PAT	Rs. Cr.	0.63	0.64	2.04
EBITDA Margin	(%)	6.79	8.69	14.92
PAT Margin	(%)	3.83	4.26	9.19
ROCE	(%)	9.02	10.88	31.65
Total Debt/Tangible Net Worth	Times	0.18	0.04	0.26
PBDIT/Interest	Times	12.16	10.19	20.39
Total Debt/PBDIT	Times	1.38	0.23	0.70
Gross Current Assets (Days)	Days	130	94	96

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.52	ACUITE BB- / Stable

PC/PCFC	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.58	ACUITE BB- / Stable

Contacts

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About Acuité Ratings & Research:

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