

## Press Release

### Mark Speciality India Private Limited

December 03, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.32 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 6.32 crore bank facilities of Mark Speciality India Private Limited (MSPL). The outlook is '**Stable**'.

Incorporated in 2004, Mark Speciality (India) Private Limited (MSPL) is managed by Mr. Jaymesh Mhatre and Ms. Manasi Mhatre. MSPL is engaged in manufacturing of grease and oils used in various industrial machines and automobiles.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of MSPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### • Experienced management

Ms. Manasi Mhatre joined the business in 2015 and Mr. Jaymesh has experience of more than two decades through other group firms, namely, Lubrol Petroleum Industries and Shree Ganesh Enterprises, both of which were engaged in the same line of business as MSPL but currently, there are no operations in these firms. The experience of the promoter has helped MSPL in establishing healthy connections in the industry through the years.

#### • Moderate financial risk profile

The financial risk profile of MSPL is moderate marked by low net worth, moderate debt protection metrics and healthy gearing. The net worth of MSPL is low at Rs.3.90 crore as on 31 March, 2018 as against Rs.3.16 crore as on 31 March, 2017. The gearing of MSPL has remained stable at 1.44 times as on March 31, 2018 as against 1.39 times in 31 March 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.37 times as on 31 March, 2018 as against 2.66 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood stable at 0.18 times as on 31 March, 2018 as against 0.19 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has improved to 3.44 times in FY2018 and 3.51 times in FY2017. Debt Service Coverage Ratio (DSCR) has slightly improved to 2.97 times for FY2018 from 2.89 times in FY2017. Acuite believes that the financial risk profile of MSPL will continue to remain moderate over the medium term on account of its improving scale of operations.

#### • Growing scale of operations

MSPL has recorded consistent growth in scale of operations during the period under study marked by operating income of Rs.27.07 crore in FY2018 as against Rs.20.35 crore in FY2017 and Rs.16.96 crore in FY2015. Further, MSPL has achieved operating income of Rs.19.00 crore as on 31 October, 2018 which gives visibility of revenue in FY2019.

### Weaknesses

#### • Moderate working capital cycle

The working capital cycle of MSPL is moderate as evident from Gross Current Assets (GCA) at 134 days in FY2018 as against 170 days in the previous year. The reason for decrease in GCA days is on account of lower receivables days which stood at 48 days for FY2018 as against 75 days in FY2017.

Further, the inventory holding period stood stable at 43 days in FY2018 and 44 days in FY2017. MSPL gets a credit period of 60-90 days from its suppliers. Further, the average cash credit limit utilisation stood at ~95 percent for the last three months ended as on 31 October, 2018.

#### • Declining margins

MSPL has recorded decline in margins in the period under study marked by operating margin of 6.41 percent in FY2018 as compared to 7.57 percent in FY2017 and 8.34 percent in FY2015. The decline in margins is due to fluctuation in raw material prices and the inability of MSPL to pass it on to the customers.

#### Outlook: Stable

Acuite believes that MSPL will continue to maintain a 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company generates larger than expected cash flows while scaling up operations and maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected capacity utilisation leading to declining revenues and profit margins.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.07	20.35	16.96
EBITDA	Rs. Cr.	1.74	1.54	1.41
PAT	Rs. Cr.	0.74	0.64	0.63
EBITDA Margin	(%)	6.41	7.57	8.34
PAT Margin	(%)	2.73	3.14	3.71
ROCE	(%)	17.49	18.46	37.23
Total Debt/Tangible Net Worth	Times	1.44	1.39	1.83
PBDIT/Interest	Times	3.44	3.51	3.88
Total Debt/PBDIT	Times	3.17	2.82	3.26
Gross Current Assets (Days)	Days	134	170	159

#### 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	4.50	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.82	ACUITE BB / Stable

## Contacts

Analytical	Rating Desk
<p>Avadhoot Mane Senior Analyst - Rating Operations Tel: 022 49294022 <a href="mailto:avadhoot.mane@acuite ratings.in">avadhoot.mane@acuite ratings.in</a></p> <p>Sushmita Murai Analyst - Rating Operations Tel: 02249294055 <a href="mailto:sushmita.murai@acuite ratings.in">sushmita.murai@acuite ratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.