

## 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

Acuité 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

Acuité 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. Acuité 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**

Acuité 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

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### About Acuité Ratings & Research:

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