

Press Release

MM Sharda Rare Earths Private Limited

April 02, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 8.00 crore bank facilities of MM Sharda Rare Earths Private Limited (MSREPL). The outlook is '**Stable**'.

MM Sharda Rare Earth Private Limited is a Satna (Madhya Pradesh) based private company incorporated in 2012 and promoted By Mrs Anjani Devi Khandelwal and Mrs Shweta Khandelwal. The day to day operations are carried out by Mr Nikhil Khandelwal. The company is engaged in trading of gypsum which is imported from Iran and Oman. MSREPL caters to reputed players including J K Laxmi and Emami Cement Limited.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr. Nikhil Khandelwal possess more than a decade long experience in trading of gypsum by virtue of his association with M/s S.B Impex and Madan Mohan Vinod Kumar Distributors Private Limited in capacity of director/ proprietor. MSREPL benefits from the extensive experience of its promoters in terms of established relationship with its customers and suppliers.

- **Moderate working capital cycle**

The working capital operations of MSREPL are moderate marked by gross current asset (GCA) of 110 days as on March 31st, 2018 as against 80 days in the previous year. The GCA days are dominated by other current assets of Rs. 1.98 Crore as on March 31st, 2018. The inventory level remained comfortable at 10 days as on March 31st, 2018 as against 19 days in the previous year. The credit extended to customers stood at 27 days as on March 31st, 2018. However, the creditor's days remained high at 99 day as on March 31st 2018 as against 76 days as on March 31st, 2017.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is comfortable in absence of any significant debt obligations. However, the net worth of the company is low at Rs 1.03 Crore as on March 31st, 2018 as against Rs 0.94 Crore in the previous year. Going forward, the financial risk profile is expected to moderate marginally on account of availing of debt facilities to support its working capital requirement. Ability of the promoters to infuse proportionate equity will remain a key concern monitorable.

- **Fluctuating revenue profile coupled with thin profitability margins**

MSREPL's operating revenue trend is marked by significant fluctuation over the past three year under consideration on account of limited financial flexibility in absence of bank borrowings. The operating revenue stood at Rs 16.59 Crore as on March 31st, 2018 as against Rs 42.61 Crore in the previous year. The profitability margins remained thin given the nature of gypsum being a low value product. The gross profit margin (EBITDA Margin) stood at 0.81 percent as on March 31st, 2018 as against 0.83 percent in the previous year. The company is process of diversifying into import of limestone and clinkers and the same is expected to support profitability in the medium term.

• **Exposure to the inherent cyclical in the industry**

MSREPL's revenue profile is exposed to the inherent cyclical in the infrastructure sector and cements industry and is linked to the overall demand of gypsum.

Liquidity Profile

MSREPL's has adequate liquidity marked by healthy net cash accruals against no repayment obligations. The promoters have funded the working capital requirements from internal generations and own sources. The company maintains unencumbered cash and bank balances of Rs.0.07 crore as on March 31, 2018. The current ratio of the company stands modest at 0.86 times as on March 31, 2018.

Outlook: Stable

ACUITE believes that the company will maintain a Stable outlook over the medium term owing to its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than- expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.59	42.61	26.55
EBITDA	Rs. Cr.	0.13	0.35	0.21
PAT	Rs. Cr.	0.08	0.21	0.13
EBITDA Margin	(%)	0.81	0.83	0.81
PAT Margin	(%)	0.51	0.49	0.49
ROCE	(%)	12.77	39.09	49.56
Total Debt/Tangible Net Worth	Times	0.00	0.03	0.05
PBDIT/Interest	Times	20.17	8.45	57.88
Total Debt/PBDIT	Times	0.03	0.07	0.17
Gross Current Assets (Days)	Days	110	81	81

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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