

**Press Release**  
**Micky Metals Limited**  
 August 14, 2019  
**Rating Assigned**



|                                     |                                 |
|-------------------------------------|---------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 10.00 Cr.                   |
| <b>Long Term Rating</b>             | ACUITE BB+/Stable<br>(Assigned) |

\* Refer Annexure for details

**Rating Rationale**

Acuite has assigned long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 10.00 crore bank facilities of Micky Metals Limited (MML). The outlook is '**Stable**'.

Micky Metals Limited (MML) was established in the year of 1995 by Mr. Sumit Agarwal, Mr. Narendra Kumar Agarwal, Mr. Saket Agrawal and Mr. Sarwan Kumar Agarwal. The company is engaged in manufacturing of TMT Bars with current installed capacity of 100000 MTPA. The manufacturing facility is located at Birbhum (West Bengal).

**Analytical Approach**

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

**Key Rating Drivers:**

**Strengths**

• **Experienced management and long track record of operations**

MML has been in operations since 1995. The Director, Mr. Sumit Agarwal, Mr. Narendra Kumar Agarwal, Mr. Saket Agarwal and Mr. Sarwan Kumar Agrwal have an experience of more than two decades in iron and steel industry.

• **Comfortable financial risk profile**

The financial risk profile of the company is moderate marked by healthy net worth, comfortable gearing and healthy debt protection metrics. MML has an improvement in net worth which stood at Rs. 23.86 crore as on 31 March, 2019 (Prov.) as compared to Rs. 22.61 crore as on 31 March, 2018, this is mainly on account of accumulation of reserves. Acuite has considered Rs.2.11 crore unsecured loan as quasi equity as it is subordinated to bank debt. The gearing of the company stood comfortable at 0.76 times in FY2019 (Prov) as compared to 0.38 times in previous year due to increase in short term debt. The total debt of Rs.18.17 crore consist of long term debt of Rs.0.27 crore, short term debt of Rs.16.10 crore and unsecured loan of Rs.1.80 crore as on 31 March, 2019 (Prov.). The interest coverage ratio stood healthy at 2.15 times in FY2019 (Prov) as compared to 2.00 times in FY2018 and comfortable DSCR of 2.15 times as on 31 March, 2019 (Prov) as compared to 1.80 times in the previous year.

**Weaknesses**

• **Low profitability**

The operating profit margin of the company stood low at 2.01 per cent in FY2019 (Prov.) as compared to 2.10 per cent in the previous year. The net profitability of the company also stood low at 0.65 per cent in FY2019 (Prov.) as compared to 0.46 per cent in the previous year.

• **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 131 days in 2018-19 (Prov.), declined from 152 days in 2017-18. These high GCA days emanates from high debtors of 92 days in FY2019 (Prov.) as compared to 114 days in FY18. The inventory period stood moderate at 37 days in FY2019 (Prov.) as compared to 32 days in previous year.

### Liquidity Position:

The company has moderate liquidity marked by moderate net cash accruals of Rs.1.54 crore as compared to Rs.1.04 crore in the previous year. The nature of operation of the company is working capital intensive reflected by high gross current asset (GCA) days of 131 in FY2019 (Prov). This has led to moderate reliance on working capital borrowings, the working capital limit in the company remains utilised at 85-90 per cent during the last 6 months period ended June 2019. Acuite believes that the liquidity position of the company will remain moderate due to moderate cash accruals and no major capex plan.

### Outlook: Stable

Acuite believes that MML will maintain a 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Prov.) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 142.18       | 120.73        | 95.53         |
| EBITDA                        | Rs. Cr. | 2.85         | 2.54          | 2.11          |
| PAT                           | Rs. Cr. | 0.93         | 0.55          | 0.32          |
| EBITDA Margin                 | (%)     | 2.01         | 2.10          | 2.20          |
| PAT Margin                    | (%)     | 0.65         | 0.46          | 0.34          |
| ROCE                          | (%)     | 6.14         | 6.57          | 10.95         |
| Total Debt/Tangible Net Worth | Times   | 0.76         | 0.38          | 0.47          |
| PBDIT/Interest                | Times   | 2.15         | 2.00          | 1.75          |
| Total Debt/PBDIT              | Times   | 6.30         | 3.38          | 4.66          |
| Gross Current Assets (Days)   | Days    | 131          | 152           | 116           |

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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 | Ratings/Outlook              |
|------------------------|------------------|----------------|----------------|-------------------|------------------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 10.00             | ACUITE BB+/Stable (Assigned) |

## Contacts:

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## About Acuité Ratings & Research:

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