

Press Release

Micky Metals Limited

August 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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. Acuité 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. Acuité believes that the liquidity position of the company will remain moderate due to moderate cash accruals and no major capex plan.

Outlook: Stable

Acuité 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:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	

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) for the latest information on any instrument rated by Acuité.