Rating Rationale

MMG Impex

08May2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 10.00 Crores of MMG Impex.

Particulars

Facility Rated	Amount (₹. Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2017)	Present
Fund Based (FB)					
Rupee Packing Credit cum FBP/FBN	14.00	10.00	**Long Term**	**BWR BB** (Pronounced as BWR Double B) **(Outlook -Stable)**	**BWR BB** (Pronounced as BWR Double B) **(Outlook -Stable)** (Reaffirmation)
Total Limits	**14.00**	**10.00**	**(INR Ten Crores Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has principally relied upon the audited financials upto FY18 and projections upto FY20, publicly available information and information/ clarifications provided by the management.

The reaffirmation of rating takes into account the experience of the promoters, relationship with the suppliers and customers, increased profit margins, moderate debt protection metrics and current ratio. However, the rating is constrained by small scale of operations of the firm, declined revenue and tangible net worth, high conversion cycle, forex price risk and volatility in raw material prices.
Going forward the ability of the firm to increase its scale of operations with consistency in revenue, improved tangible net worth, maintain its profit margins would remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- ➢ Experienced promoters in the same line of business.
- ➢ Established relationship with customers and suppliers.
- ➢ Strong profit margins due to value addition.
- ➢ Moderate liquidity position and debt protection metrics.

Credit Risks:

- ➢ Small scale of operation.
- ➢ Revenue of the firm fluctuating Y-O-Y.
- ➢ Decrease in Tangible Net Worth from Rs. 9.62 Crores in FY17 to Rs. 6.94 Crores in FY18 due to drawings.
- ➢ Volatility in raw material prices may affect scale of operations & profitability margins.
- ➢ Limitations of partnership firm in terms of finance and decision making.
- ➢ High conversion cycle due to high inventory days.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile: MMG Impex's liquidity profile is driven by current ratio of 1.68x in FY18. Company's cash and its equivalents are reported at Rs.0.01 cr in FY18. Company's average bank facility utilization stood at 92%

Rating Outlook: *Stable*

BWR believes the **MMG Impex** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating

outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

MMG Impex commenced its operation on 1st April 2012. The partners are Mr. Madupalli Mohana Gupta, Mr. Madupalli Krishna Kishore, Mr. Madupalli Vijay Kumar & Mrs. Madupalli Mallewari. The shareholding of the firm are with two major partners Mr. Madupalli Krishna Kishore & Mr. Madupalli Vijay Kumar having 40% share each.

MMG Impex is 100% exporter of human hair and sandalwood products. It is located in Chennai, Tamil Nadu. It exports its products to China, Italy, USA, Japan and Hong Kong. The firm gets human hair from hairdressers, temple and human hair suppliers. The sandalwood is acquired from State Government forest department in auction in lots.

Company Financial Performance

Firm's total operating income has declined from Rs.27.47 crs in FY17 to Rs.21.21 crs in FY18. Firm's net worth also declined at Rs.6.94 crs in FY18 from Rs.9.62 crs in FY17.

Rating History for the last three years

Si No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	27.10.2017	2016
	Fund Based (FB)						
1	**Fund Based**	Long Term	10.00	**BWR BB** (Pronounced as BWR Double B) **(Outlook -Stable)** (Reaffirmation)	**Not Rated**	**BWR BB** (Pronounced as BWR Double B) **(Outlook -Stable)**	**Not Rated**
	Total Limits		**10.00**	**(INR Ten Crores Only)**			

Rating was not reviewed on 28.01.2019 **Status of non-cooperation with previous CRA- NA**

Any other information-NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Total Operating Revenue	₹ Cr	21.21	27.47
EBITDA	₹ Cr	6.81	7.15
PAT	₹ Cr	5.76	5.29
Tangible Net worth	₹ Cr	6.94	9.62
Total Debt/Tangible Net worth	Times	1.15	1.46
Current Ratio	Times	1.68	1.53

Annexure-I

Details of Bank Facilities

₹ Crores

Name of the Bank	Name of Facility	Tenure	Previous Limits (Oct, 2017)	Present Limits
Dena Bank	Rupee Packing Credit cum FBP/FBN	Long Term	14.00	10.00

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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