



## Rating Rationale

Mark Alloys Pvt Ltd

October 13, 2017

**Brickwork Ratings upgrades ratings for the Bank Loan Facilities of Rs. 27.80 Crs of Mark Alloys Pvt Ltd.**

### Particulars

| Facility Rated                                 | Previous Limits (Rs. Crs)      | Present Limits (Rs. Crs)   | Tenure            | Previous Rating (Nov 2015)  | Present Rating *   |
|--|--------------------------------|--|-------------------|---|--|
| <b>Fund Based</b><br>Cash Credit<br>Term Loans | <b>31.90</b><br>18.00<br>13.90 | <b>26.80</b><br>18.00<br>8.80  | <b>Long Term</b>  | <b>BWR BB+</b><br>Pronounced as BWR Double B Plus<br><b>Outlook: Stable</b> | <b>BWR BBB-</b><br>Pronounced as BWR Triple B Minus<br><b>Outlook: Stable upgraded</b> |
| <b>Non-Fund Based</b><br>Bank Guarantee        | <b>1.00</b><br>1.00            | <b>1.00</b><br>1.00  | <b>Short Term</b> | <b>BWR A4+</b><br>Pronounced as BWR A Four Plus                             | <b>BWR A3</b><br>Pronounced as BWR A Three<br><b>upgraded</b>                          |
| <b>Total</b>                                   | <b>32.90</b>                   | <b>Rs. 27.80 Crores (Rupees Twenty Seven Crores Eighty Lakhs only)</b> |                   |   |  |

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results up to FY16, provisional financials of FY17, projected financial statements up to FY19, publicly available information and information provided by the management.

The rating revision takes into account experienced promoters with ability to infuse capital as per business requirements, locational advantage and overall improved financial performance of the company marked by growth in revenue and higher profit margins. Gearing as well as interest and debt coverage indicators have improved. The rating is, however, constrained by the modest scale of operation, working capital intensive nature of business, low net worth, thin profitability which is susceptible to the volatility in raw material prices, inherent risk of sluggish steel industry and intense competition from other players in the industry.



### **Key Rating Drivers:**

1. Experienced management: The promoters have over 10 years of experience in the steel business. Partners are able to infuse funds as per business requirements. As at 31.03.2017, unsecured loans from the Directors stood at Rs.12.83 Crs.
2. Overall improvement in financial performance marked by growth in revenues, improved profit margins and improvement in gearing along with debt coverage indicators. The company has reported 39.48% growth in topline along with 52.24% increase in operating profit margins. Overall gearing and debt coverage indicators have improved from the previous year.
3. Exposure to inherent cyclicity in the steel industry: The Company is exposed to fluctuations in the prices of raw materials. As a result, the profitability margins are susceptible to input price fluctuation.
4. Profit margins have been fluctuating from a net profit margin of 1.63% in FY15 reducing to 0.64% in FY16 before again increasing to 2.33% in FY17. The company has estimated profit margins to stay in the range of 2.20% to 2.5 % for next two years. Though the profit margins have improved, the same continue to be low owing to the industry it operates in.

### **Analytical Approach (Wherever applicable):**

Ratings have been based on the undernoted hyperlinked rating criteria.

### **Rating Outlook: Stable**

BWR believes the Mark Alloys Pvt Ltd' 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**

Established as a partnership firm in January 2010, Deep Enterprise, was reconstituted as Mark Alloys Private Limited (MAPL), a private limited company, in December 2011 with its manufacturing facilities situated in Nanapur, Sabarkantha district, Gujarat. The Company is engaged in manufacturing of Mild Steel (MS) angles, channels, bars and MS/Galvanized iron pipes.

### **Company Financial Performance**

The company reported a net profit of Rs. 3.19 Crs on an operating income of Rs. 137.00 Crs in FY17 (P), as compared to a net profit of Rs. 0.63 Crs on an operating income of Rs. 98.22 Crs in the previous year.

| Key Financial Figures  |            |          |         |
|------------------------|------------|----------|---------|
| Particulars            | Unit       | FY16 (A) | FY17(P) |
| Operating Income       | Rs. Crores | 98.22    | 137.00  |
| EBITDA                 | Rs. Crores | 5.78     | 8.80    |
| PAT                    | Rs. Crores | 3.19     | 0.63    |
| Tangible Networth      | Rs. Crores | 9.90     | 13.12   |
| Total Debt             | Rs. Crores | 36.14    | 28.85   |
| Total Debt : Equity    | Times      | 3.65     | 2.20    |
| Total Debt: Equity (A) | Times      | 1.56     | 0.62    |

**Rating History for the last three years:**

| Sl. No. | Instrument/Facility   | Current Rating (Year 2017)   |                 |                     | Rating History |            |           |
|---------|-----------------------|--|-----------------|---------------------|----------------|------------|-----------|
|         |                       | Type   | Amount (Rs Crs) | Rating              | 31.03.17       | 25.11.15   | 2014      |
|         | <b>Fund Based</b>     | <b>Long Term</b>   | <b>26.80</b>    | <b>BWR<br/>BBB-</b> | RNR            | BWR<br>BB+ | BWR<br>BB |
|         | <b>Non-Fund Based</b> | <b>Short Term</b>  | <b>1.00</b>     | <b>BWR<br/>A3</b>   |                | BWR<br>A4+ | BWR<br>A4 |
|         | <b>Total</b>          | <b>Rs. 27.80 Crores (Rupees Twenty Seven Crores Eighty Lakhs only)</b> |                 |                     |                |            |           |

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not applicable

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
  
- [Short Term Debt](#)
- [Manufacturing Companies](#)



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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