



## Rating Rationale

### Micron Precision Screws Ltd

14 Dec 2018

**Brickwork Ratings reaffirms ratings of BWR BB+(Stable)/A4+ for the Bank Loan Facilities of ₹. 29.31 Crores of Micron Precision Screws Ltd. (MPSL or 'The Company')**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr, 2018)	Present
<b>Fund based</b> Cash Credit* Term Loan	17.50 2.43	<b>17.50</b> <b>1.81</b>	<b>Long Term</b>	BWR BB+ Outlook: Stable	<b>BWR BB+</b> <b>(Pronounced as BWR Double B Plus)</b> <b>Outlook: Stable</b> <b>Reaffirmed</b>
<b>Non Fund Based</b> Letter of Credit	10.00	<b>10.00</b>	<b>Short Term</b>	BWR A4+	<b>BWR A4+</b> <b>(Pronounced as BWR A Four Plus)</b> <b>Reaffirmed</b>
<b>Total</b>	<b>29.93</b>	<b>29.31</b>	<b>INR Twenty Nine Crores and Thirty One Lakhs Only</b>		

\*Packing Credit of Rs. 3 Crs is a sublimit of CC & FDBP/ FUDBP/ FCBRD of Rs. 3 Crs is a sublimit of Packing Credit

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Rating Reaffirmed

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

BWR has essentially relied upon the audited financials upto FY18, publicly available information and information/clarifications provided by the management.

The rating continues to draw comfort from the promoters experience and their funding support, long track record in the industry, fairly diversified client profile, enhanced installed capacity and healthy financial risk profile driven by improvement in gearing, moderate networth base, adequate debt protection metrics. However, the rating continues to be constrained by its modest scale of operations, thin profitability margins, susceptibility of MPSL's margins to fluctuations in foreign exchange and raw material prices and fragmented nature of domestic fasteners industry.

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Going forward, the ability of the company to achieve the envisaged revenues and profitability while efficiently managing its working capital requirements are the key rating sensitivities.

### **Key Rating Drivers**

**Experience and funding support of Promoter:** Benefits derived from the promoters' experience of around 3 decades & their funding as and when required should continue to support the business.

**Fairly diversified client profile and established relationship with key customers:** The company has been supplying to reputed clientele like JCB India Ltd, Escorts Group, New Holland Tractors, CNH Industrial (India) Pvt Ltd etc. and has been regularly expanding its capacity to support the client. The company has moderately diversified customer base in both domestic and export market and has a diversified presence across multiple automotive segments, primarily the tractor and other industrial usages.

**Healthy Financial risk profile:** Gearing levels have improved from 1.24 times as on 31st March 2017 to 0.94 times as on 31st March 2018 on account of moderate networth base of Rs. 22.14 Crs and reduction in overall debt levels. DSCR was at 1.37 times and ISCR was at 1.54 times as on 31st March 2018.

**Modest scale of operations and profitability margins:** Intense competition in the Fasteners Industry has kept the scale of operations small with operating income of Rs. 69.92 Crs in FY18. The company has witnessed a marginal growth of 8% from last year. The company majorly derives its revenues from the domestic market and around 12-15% from exports. However, growing demand from domestic automobile sector and continued focus on exports should help boost the revenues by 10-12% in medium term. Profit margins are thin at 1.24% in FY 18 and are likely to remain range bound, given the recent surge in steel prices.

**Susceptibility of profitability to volatility in raw material prices and foreign exchange:** Operating margin remains exposed to fluctuation in prices of steel (key raw material) and changes in Government regulations. Further, with no formal hedging policy in place, the company's profitability remains exposed to adverse fluctuations in foreign currency.

**Intense competition from well established players in the Industry:** The fastener manufacturing segment in India is highly fragmented with presence of a large number of unorganized players. This leads to pricing pressures and low margins.



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).

### **Rating Outlook: Stable**

BWR believes the **MPSL's** 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**

MPSL was established in 1979 and is registered as an engineering unit with Directorate of Industries Haryana, Chandigarh as industrial & automotive fasteners manufacturers and suppliers of high tensile industrial & automotive industrial fasteners. The company is engaged in manufacturing vast range of automotive fasteners which includes nuts, bolts, screws, pins and blades for rotary tilling and Light Engineering Products for automotive industry and industrial applications. The manufacturing facility is located in Rohtak, Haryana with an installed capacity of 9000 MTPA. In addition to catering to the domestic market, MSPL has export sales (12%-15% of total sales) to many countries such as Germany, United Kingdom, France, United States and Italy. Mr. Romesh Vig is the Managing Director.

### **Financial Performance**

MPSL reported Operating Revenue of Rs. 69.92 Crs and Net Profit of Rs 0.87 Cr for FY18 as against Operating Revenue of Rs.64.59 Crs. and Net Profit of Rs 0.69 Cr for FY 17. Tangible Net Worth was Rs 22.14 Crs and Total debt was Rs.20.92 Crs as on March 31 2018. Current ratio was 1.21 times as on March 31 2018.



The key financial indicators are summarized in Annexure II

**Rating History for the last three years**

Instrument /Facility	Current Rating (Dec 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	April 2018	April 2017	Feb 2016
<b>Fund Based</b>						
Cash Credit* Term Loan	Long Term	17.50 1.81	<b>BWR BB+ (Outlook: Stable) Reaffirmed</b>	BWR BB+ (Outlook: Stable) Reaffirmed	BWR BB+ (Outlook: Stable) Reaffirmed	BWR BB+ (Outlook: Stable) Assigned
<b>Non Fund Based</b>	Short Term	10.00	<b>BWR A4+ Reaffirmed</b>	BWR A4+ Reaffirmed	BWR A4+ Reaffirmed	BWR A4+ Assigned
<b>Total</b>		<b>29.31</b>	<b>₹ Twenty Nine Crores and Thirty One Lakhs Only</b>			

\*Packing Credit of Rs. 3 Crs is a sublimit of CC & FDBP/ FUDBP/ FCBRD of Rs. 3 Crs is a sublimit of Packing Credit

**Status of non-cooperation with previous CRA (if applicable)- NA**  
**Any other information- NA**

**Annexure I**

**Bank Facilities Details- Oriental Bank of Commerce, Rohtak, Haryana**

Facilities**	Type	Total
Cash Credit	Fund Based	<b>17.50</b>
Term Loan	Fund Based	<b>1.81</b>
Letter of Credit	Non Fund Based	<b>10.00</b>
<b>Total</b>		<b>29.31</b>



**Annexure II**  
**Key Financial Indicators**

Key Parameters	Units	2018	2017
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	Rs. in Crs	69.92	64.59
EBITDA	Rs. in Crs	4.66	5.10
PAT	Rs. in Crs	0.87	0.69
Tangible Net worth	Rs. in Crs	22.14	20.77
Total Debt/Tangible Net worth	Times	0.94	1.24
Current Ratio	Times	1.21	1.29

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing companies](#)
- [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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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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