

Rating Rationale

Melcon Vizag Pvt. Ltd.

11Feb2019

Brickwork Ratings reaffirms /assigns the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Melcon Vizag Pvt. Ltd. (MVPL or ‘the company’).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (Sep, 2017)	Previous (Dec 2018)	Present
Fund based Cash Credit Line of Credit (LC) CC (sublimit under LC)	12.00 0.00 0.00	0.00 15.00 (12.00)	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable [Reaffirmed]
Non Fund Based BG (sublimit under LC) FLC (sublimit under LC) Forward contract (sublimit under LC)	0.00 0.00 0.00	(1.00) (15.00) (0.75)	Short Term	Not Rated	Rating Not Reviewed	BWR A4 (Pronounced as BWR Single A Four) Assigned
Total	12.00	15.00	INR Fifteen Crores Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
The company has not provided projected financials data of FY 18 & FY19

Ratings: Long term rating reaffirmed and short term rating assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, publicly available information and the information/clarifications provided by the management.



The rating draws strength from the experience of the promoters, revenue growth, low gearing ratio and established track record. However, the ratings are constrained by low net worth, reduced and low profitability margins, negative interest coverage ratio, working capital intensive nature of operations, exposure foreign currency risk and highly competitive nature of industry.

Description of Key Rating Drivers

- **Credit Strengths:** Promoters of the company are having more than 15 years of experience, revenue increased from Rs. 59.60 Crs in FY17 to Rs.72.40 Crs in FY18, gearing ratio is at 1.01 times in FY18 and the company is in existence since 1994
- **Credit Risks:** Net worth is at Rs. 4.63 Crs in FY18, net profit is reduced from 0.29% in FY 17 to 0.27 % in FY 18 and operating profit margin is reduced from 1.61% in FY17 to 0.95% in FY18, interest coverage indicator is at 0.92 x in FY18 foreign currency price risk since import settlements are not being hedged

Going forward, the ability of the company to further increase its scale of operations with improved revenues, profits and profitability margins and efficiently manage its working capital will be the key rating sensitivities.

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).

Rating Outlook: Stable

BWR believes the **Melcon Vizag 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

Melcon Vizag Pvt. Ltd. was incorporated in the year 1994, located at Visakhapatnam, Andhra Pradesh. Mr. Chetan Khara, Mr. Swaroop Khara, Mr. Anand Khara and Mr. Kamal Khara are the promoters of the company. The company is engaged in trading gypsum and Limestone. The company purchases natural and chemical Gypsum, both indigenous and through imports (Imports contributes 60% of purchases) and sells Gypsum domestically.



Company Financial Performance

The company has reported a total operating income of Rs.72.40 Crores in FY18 and Rs.59.60 Crores in FY17. Operating and net profit margins reported at 0.95% and 0.27% in FY18 as against 1.61% and 0.29% in FY17. Tangible net-worth stood at Rs. 4.63 Crs in FY18.

Rating History for the last three years

S.No	Facility	Current Rating(2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	24.12.2018	21.9.2017	20.10.2016
1	Fund Based	Long Term	15.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable [Reaffirmed]	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
2	Non Fund Based	Short Term	(15.00)	BWR A4 (Pronounced as BWR Single A Four) Assigned		Not Rated	
	Total		15.00	₹ Fifteen Crores Only			

Status of non-cooperation with previous CRA: Not known to our knowledge; Any other information: Nil



Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs In Crores	72.40	59.60
EBITDA	Rs In Crores	0.69	0.69
PAT	Rs In Crores	0.19	0.17
Tangible Net worth	Rs In Crores	4.63	4.01
Total Debt/Tangible Net worth	In Times	1.01	2.13
Current Ratio	In Times	1.48	1.33

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.