

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

MM Industries

September 17, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities- Cash Credit	4.00	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
Short Term Bank Facilities-LC	15.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	19.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of MM Industries (MMI) derives comfort from the extensive experience of the proprietor, healthy revenue growth and comfortable financial risk profile. However, the rating strengths are partially offset by its small scale of operations, high dependence on imports, susceptibility of margins to volatility in foreign exchange rates and prices of traded goods, risks associated with proprietorship nature of firm and high customer concentration risk. Growth in scale of operations with improvement in profitability and diversification in customer profile are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the proprietor

MMI was incorporated in 1989 and is engaged in the trading of coal and manganese ore primarily. The three decade long experience has enabled the proprietor to maintain healthy relationship with customers and suppliers.

Healthy revenue growth

MMI's operating income witnessed a healthy growth in the last three years to Rs.51.31 crores in FY2019 from Rs.38.28 crores in FY2017. This was driven by improved manganese ore demand from end-user industries.

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Comfortable financial risk profile

The financial risk profile of MMI has remained comfortable over the years, as reflected by its debt free status. Total indebtedness as reflected by TOL/TNW remains moderate at 2.03 times as on March 31, 2019.

Key Rating Weaknesses

Small scale of operations; intense competition exerts pricing pressures

The firm's scale of operations remained small, as reflected by its operating income of Rs.51.31 in FY2019. Further, the trading industry is highly fragmented with a large number of organised and well established players as well as unorganised players in the market, which exerts pricing pressures. As a result, the profit margins remained thin with operating margin of 2.34% and net margin of 1.17% in FY2019.

High dependence on imports, susceptibility of margins to volatility in foreign exchange rates and prices of traded goods

Imports account for 70-80% of the firm's total purchases, which exposes its profitability to any adverse movements in the foreign exchange rates, given that there is no formal hedging policy in place at present. The profitability also remains vulnerable to any unfavourable movement in prices of traded goods.

Risks associated with proprietorship nature of firm

MMI is a proprietorship firm, which inherits the risks associated with the proprietorship nature of the firm, including the risk of capital withdrawal.

High customer concentration risk

With most of the sales (almost 65% of total revenue in FY19) contributed by a single customer, the firm faces high customer concentration risk.

Analytical Approach: Standalone.

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

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Liquidity

The current ratio of the firm remained adequate at 1.47x as on March 31, 2019. The liquidity position of the firm is expected to remain adequate in the near to medium term. The firm has sufficient gearing headroom with no term loan in its capital structure.

About the Company

Established in 1989, MM Industries (MMI) is a proprietary concern that trades in mainly coal (non-coking) and manganese ore. Coal and manganese ore is primarily imported from South Africa. MMI caters to the domestic market, with most of its revenues being generated from Jharkhand. The firm's registered office is at Ranchi (Jharkhand).

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	38.28	51.31
EBITDA	0.46	1.20
PAT	0.54	0.60
Total Debt	0.00	0.00
Tangible Net worth	6.07	4.67
EBITDA Margin (%)	1.20	2.34
PAT Margin (%)	1.38	1.17
Overall Gearing Ratio (x)	0.00	0.00

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits - Cash Credit	Long Term	4.00	IVR BB/ Stable Outlook	-	-	-
2.	Short Term Non-	Short	15.00	IVR A4+			

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	Fund Based Limits – LC	Term			-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits–Cash Credit	-	-	-	4.00	IVR BB/ Stable Outlook
Short Term Non-Fund Based Limits –LC	-	-	-	15.00	IVR A4+