

MKR Enterprises

April 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	6.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total Bank Facilities	6.00 (Rs. Six Creore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 09, 2020, placed the rating(s) of MKR Enterprises under the 'issuer non-cooperating' category as MKR Enterprises had failed to provide information for monitoring of the rating. MKR Enterprises continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated March 31, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

Detailed description of the key rating drivers

At the time of last rating on March 09, 2020 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Fluctuating scale of operations: The total income of the firm declined to Rs.590.66 crore in FY19 (PY: Rs. 762.28 crore) on account of drop in demand of gold in the market. Over the years, firm's revenue has remained inconsistent. Since sales are solely contingent upon demand and commodity prices, it has resulted in fluctuating revenues although the scale of operations has remained fairly moderate.

Low profitability margins: The PBILDT margin of the firm declined significantly to 0.27% in FY19 (PY: 0.94%) attributable to the fact that the firm was involved mainly in bullion trading in FY18 and profited from speculation in gold and silver prices. However, the PAT margin of the firm was still lower as compared to previous years before FY18 which is attributable to slowdown in the market in FY19.

Weak financial risk profile: The overall gearing of the firm improved yet stood leveraged at 2.03x as on March 31, 2019 (PY: 4.15x). The improvement in overall gearing was on account of decrease in working capital borrowings. The total debt to GCA ratio deteriorated sharply to 9.82x in FY19 (PY: 1.98x) as the firm had reported exceptional profit margins in FY18. Owing to the same reason, PBILDT interest coverage of the firm also deteriorated.

Constitution of the entity being proprietorship: MKR's constitution as a proprietorship firm has the inherent risk of withdrawal of the proprietor's capital and unsecured loans from group companies at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor.

Commodity price and demand fluctuation risk: Trading of commodities involves an inherent risk of price fluctuation and reflects directly upon the profitability margins of the firm as the firm does not involve in commodity hedging. Moreover, the demand side fluctuations results in inconsistent revenue impacting the overall performance of the firm, evident from the financials of the firm.

Highly competitive and fragmented industry: The gems and jewellery market in India is home to more than 300,000 players, with the majority being small players resulting in high competition. High fragmentation and competition in the industry continues to keep margins under pressure.

Key Rating Strength

Experienced proprietor: Mr. Rozin Jain, proprietor of the firm, has an experience of around a decade in the industry. MKR will continue to benefit from the proprietor's experience and understanding of the dynamics of the industry.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Wide customer base: Owing to a large customer base, the top ten customers of the firm accounted for only ~22% of the total sales in FY19. Firm's ability to market its products to new customers secures it against customer concentration and inventory holding risk.

Short collection period and operating cycle: The firm is mainly involved in gold and silver trading business in which the operations are mainly on cash basis resulting in a short collection period and also similar creditor period. The inventory holding period has also remained on the lower side at 2 days in FY19 (PY: 1 day) resulting in a short operating cycle.

Adequate Liquidity

The adequate liquidity of the firm is characterized by moderate cash and bank balance of Rs.3.94 crore as on March 31, 2019. Its fund based working capital limits were utilized to the extent of ~55% during the trailing 12 months ending May, 2019 supported by a current ratio of 1.52x as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's Rating Methodology- Wholesale Trading](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Liquidity Analysis of Non-financial sector entities](#)

About the Firm

MKR Enterprises is a proprietorship firm engaged in the trading and manufacturing of gold and silver bullion and ornaments. The firm is located in Agra, Uttar Pradesh which is a hub of gold and silver trading. Approximately 60% of the firm's operations are based on trading while the remaining 40% relies on manufacturing. The firm outsources the manufacturing of silver ornaments and markets the products in southern regions of India such as Chennai, Vijayawada, etc. through its own jewellery shop.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	762.28	590.66
PBILD	7.20	1.60
PAT	6.54	0.88
Overall gearing (times)	4.15	2.03
Interest coverage (times)	11.08	2.26

A: Audited

Status of non-cooperation with previous CRA: Rated BWR B; Stable; Issuer not cooperating revised from BWR B+; Stable vide PR dated March 17, 2020.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (09-Mar-20) 2)CARE B+; Stable (09-Sep-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable**Annexure 4: Complexity level of various instruments rated for this company –**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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