

MVR Gas

Instrument	Amount	Rating Action
	In Rs Crore	December 2016
Long - term, Term Loans	3.80 (enhanced from 2.95)	[ICRA]B+ / Reaffirmed
Long -term, fund based facility - cash credit	7.25	[ICRA]B+ / Reaffirmed
Short-term, non-fund based facility- Bank Guarantee	2.67 (enhanced from 1.80)	[ICRA]A4 / Reaffirmed
Long term/Short term – Proposed facilities	0.78 (enhanced from nil)	[ICRA]B+ / [ICRA]A4 / Assigned

ICRA has reaffirmed the long term rating of [ICRA]B+ (pronounced ICRA B plus) assigned to the Rs 3.80 crore term loans and to the Rs. 7.25 crore of fund based facilities – cash credit . ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 2.67 crore non fund based facility – Bank Guarantee. ICRA has assigned [ICRA]B+/[ICRA]A4 to the Rs. 0.78 crore of long term/short term proposed facilities of MVR Gas (MVR / 'the concern').

The rating reaffirmation takes into account MVR's steady revenue growth over the last three years on the back of buoyant demand scenario. The rating also takes comfort from the established track record of the concern with considerable experience of the promoter in the LPG business; and the firm's long term association with its major distributors. The ratings are further supported by the moderate working capital intensity of the concern and the higher demand for the LPG cylinders in the residential segment.

The ratings are, however, constrained by the concern's small scale of operations limiting its operational and financial flexibility. The rating also factors in the high customer and supplier concentration risks; moderate financial profile with high gearing, moderate coverage indicators and negative free cash flows. The operations remain susceptible to regulatory restrictions imposed by government, fluctuations in crude-oil prices and the risk of capital continuity associated with a proprietorship concern.

Going forward, the firm's ability to scale up the volumes, while maintaining margins, would be key rating considerations.

Concern Profile

M/s.MVR Gas is a proprietorship concern, established in the year 1999 by Mr. B.V.Sadanand. The proprietor has an experience of 28 yrs in the oil and gas industry and looks after the entire operations. The concern is engaged in the business of bottling and marketing of LPG for domestic use as well for use in commercial establishments such as hotels, restaurants and industries. The concern purchases LPG from domestic suppliers, does bottling in its own centre near Bangalore and supplies them to end users through distributors.

Recent results

For FY2016, MVR reported a PAT of Rs. 1.79 crore on an operating income of Rs. 39.21 crore, as against a PAT of Rs. 0.72 crore on an operating income of Rs. 32.73 crore in FY2015.

December 2016



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