

Press Release

Magnum Pigments and Polymers Private Limited

December 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 crore bank facilities of Magnum Pigments and Polymers Private Limited (MPPPL). The outlook is '**Stable**'.

The Maharashtra based, MPPL was established in 1991 by Mr. B. Sampathkumar Rai as proprietorship concern named 'Magnum Chemicals'. Further, the constitution has been changed to private limited in 2003. The company is engaged in manufacturing of pigment emulsion, specialty chemicals, and construction chemicals. MPPPL has installed capacity of 750 MT per month.

Analytical Approach

Acuité has considered standalone financial and business risk profile of MPPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

MPPPL was established in 1991 and the constitution has been changed to private limited in 2003. The promoters of the company, Mr. B. Sampathkumar Rai and Mrs. Rekha Rai has over two decades of experience in aforementioned line of business.

- **Healthy profit margins**

The company has healthy EBITDA margins in the period under study. The EBITDA margin stood healthy at 10.12 percent in FY2018 as compared to 12.12 percent in FY2017 and 9.82 percent in FY2016. Further, the PAT margin is also healthy at 3.45 percent in FY2018, 3.20 percent in FY2017 and 2.83 percent in FY2016.

Weaknesses

- **Moderate financial risk profile**

MPPPL has below average financial risk profile marked by low net worth of Rs.4.55 crore as on March 31, 2018 as compared to Rs.3.78 crore as on March 31, 2017. The debt to equity ratio stood high at 2.44 times as on 31 March, 2018 as compared to 2.23 times as on March 31, 2017. Interest Coverage Ratio (ICR) stood at 2.05 times for FY2018 as compared to 1.92 times for FY2017.

- **Small scale of operations**

MPPPL has small scale of operations, with an operating income of Rs.22.00 crore in FY2018 as compared to Rs.15.29 crore in FY2017 even though the company has been in this business for 25 years.

Outlook: Stable

Acuité believes that MPPPL will continue to benefit over the medium term from the good industry experience of the management. The outlook may be revised to 'Positive' if the company's revenues and cash accruals improve. Conversely, the outlook may be revised to 'Negative' if MPPPL's profitability comes under pressure, or it has substantially high incremental working capital requirements, leading to deterioration in its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.00	15.29	17.06
EBITDA	Rs. Cr.	2.23	1.85	1.68
PAT	Rs. Cr.	0.76	0.49	0.48
EBITDA Margin	(%)	10.12	12.12	9.82
PAT Margin	(%)	3.45	3.20	2.83
ROCE	(%)	14.03	14.71	16.21
Total Debt/Tangible Net Worth	Times	2.44	2.23	2.03
PBDIT/Interest	Times	2.05	1.92	2.04
Total Debt/PBDIT	Times	4.98	4.57	3.97
Gross Current Assets (Days)	Days	237	284	163

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide its press release dated January 29, 2018 had denoted the rating of Magnum Pigments and Polymers Private Limited as 'CRISILB+/A4'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Amogh Kharkar Analyst - Rating Operations Tel: 02249294043 amogh.kharkar@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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