

Press Release

Madan Udyog Private Limited

January 03, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.97 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 9.97 crore bank facilities of Madan Udyog Private Limited. The outlook is '**Stable**'.

MUPL is a Nagpur based company, incorporated in 2010 by Mr. S.S.Khandewal. The company is engaged in the business of manufacturing tubes and tyres for cycles.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Madan Udyog Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

MUPL began operations in 2010. Mr. Shyamsunder Khandelwal, who has been leading the company, has close to five decades of experience in tube and tyres industry. Mr. Khandelwal has been well supported by his son, Mr. Anand S. Khandelwal with over two decades of experience in the same line of business.

• Moderate financial risk profile

The financial risk profile is moderate marked by networth of Rs.7.85 crore as on 31 March, 2018 as compared to Rs.7.27 crore as on 31 March, 2017. The gearing (debt-equity) stood at 1.67 times as on 31 March, 2018 as compared to 1.71 times as on 31 March, 2017. The total debt of Rs.13.13 as on 31 March, 2018 comprises long term loan of Rs.0.40 crore, unsecured loans of Rs.2.64 crore and working capital facility of Rs.10.09 crore. The interest coverage ratio stood at 1.64 times for FY2017-18 as compared to 1.60 times for FY2016-17. DSCR stood at 1.18 times in FY2017-18. NCA/TD stood at 0.08 times for FY2017-18. Further, Acuite believes that MUPL will maintain a moderate financial risk profile and liquidity position on the back of moderate cash accruals.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 258 days for FY2017-18 as against 285 days in FY2016-17. The debtor levels have remained at 177 days for FY2018 as against 174 days for FY2017. The inventory levels have improved to 74 days for FY2018 as against 110 days for FY2017. Further, the working capital facility has been utilised at 98-100 percent for the last three months ended November 2018.

• Volatility in raw material prices

The margins are susceptible to volatility in the prices of raw materials such as rubber, crude oil and chemicals among others. Significant changes in commodity prices due to import pressure and over supply would have an impact on the margins of the company.

Outlook: Stable

Acuite believes that MUPL will maintain a 'Stable' outlook over the medium term owing to its

experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.21	24.55	25.91
EBITDA	Rs. Cr.	3.20	3.29	4.39
PAT	Rs. Cr.	0.58	0.61	0.75
EBITDA Margin	(%)	11.78	13.42	16.95
PAT Margin	(%)	2.13	2.49	2.88
ROCE	(%)	13.27	14.27	38.11
Total Debt/Tangible Net Worth	Times	1.67	1.71	2.04
PBDIT/Interest	Times	1.64	1.60	1.59
Total Debt/PBDIT	Times	4.02	3.67	3.07
Gross Current Assets (Days)	Days	258	282	282

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

Not Applicable

Any other information

None

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Nov-2018	Cash Credit	Long Term	INR 9.97	ACUITE BB
29-Sep-2017	Cash Credit	Long Term	INR 9.97	ACUITE BB / Stable
18-Aug-2017	Cash Credit	Long Term	INR 7.5	ACUITE BB
	Standby Line of Credit	Long Term	INR 0.5	ACUITE BB
	Letter of Credit	Short Term	INR 0.75	ACUITE A4+
	Ad-hoc limits (Fund Based)	Short Term	INR 0.75	ACUITE A4+
	Proposed Cash Credit	Long Term	INR 0.47	ACUITE BB
03-May-2016	Cash Credit	Long Term	INR 7.5	ACUITE BB / Stable
	Standby Line of Credit	Long Term	INR 0.5	ACUITE BB / Stable
	Ad-hoc limits (Fund Based)	Short Term	INR 0.75	ACUITE A4+
	Letter of Credit	Short Term	INR 0.75	ACUITE A4+
	Proposed Cash Credit	Long Term	INR 0.47	ACUITE BB / Stable

*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	9.97	ACUITE BB / Stable

Contacts

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About Acuité Ratings & Research:

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