

Matangi Rubber Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	7.90	SMERA BB+/Stable (Assigned)
Cash Credit (Proposed)	1.00	SMERA BB+/Stable (Assigned)
Term Loan (Proposed)	1.00	SMERA BB+/Stable (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)
Letter of Credit (Proposed)	1.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.9.90 crore long-term (fund-based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.3.00 crore short-term (non-fund based) bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable**'. The ratings are supported by the long track record of operations, healthy financial risk profile marked by low gearing and healthy debt protection metrics. The ratings also draw comfort from the healthy profitability and established relationships with customers. However, the ratings are constrained by the susceptibility of MRPL's revenues to volatility in raw material prices, product concentration in the company's revenue profile and average scale of operations.

MRPL, established in 2004, is a Delhi-based company engaged in the manufacturing of tyre flaps and tubes from natural rubber. The company benefits from its experienced management. The promoter has around two decades of experience in the rubber industry.

MRPL has healthy financial profile reflected in the comfortable gearing of 0.44 times (Provisional) as on March 31, 2016 and interest coverage ratio of 3.87 times (Provisional) in FY2015-16 (refers to financial year, April 01 to March 31). The net profit margin is healthy at 4.32 per cent (Provisional) in FY2015-16. The company also benefits from its established relations with customer and suppliers.

Rating Sensitivity Factors

- Scaling up revenue while increasing profitability
- Maintaining capital structure while venturing into debt funded capex

Outlook: Stable

SMERA believes that the outlook on MRPL will remain stable over the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' if the company registers sustained growth in revenues while achieving significant improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profit margins or significant deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

MRPL, established in 2004, is a Delhi-based company engaged in the manufacture of tyre flaps and tubes from natural rubber used in commercial vehicles such as trucks, buses and heavy utility vehicles. The company's manufacturing facilities at Dehradun (Uttarakhand) and Chennai have an installed capacity of 550 tons and 100 tons per month. Further, the company plans to expand its capacity (Chennai plant) to 200 tons per month.

For FY2015-16, MRPL reported profit after tax (PAT) of Rs.0.1.96 crore on operating income of Rs.45.28 crore, as compared with PAT of Rs.1.67 crore on operating income of Rs.43.34 crore in FY2014-15. The net worth stood at Rs.20.49 crore (Provisional) as on March 31, 2016, as compared with Rs.18.53 crore a year earlier.

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ABOUT SMERA

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