

Press Release

Matangi Rubber Private Limited

09 April, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 14.90 Cr. (Enhanced from Rs. 12.90 Cr.)
Long Term Rating	SMERA BBB- / Outlook: Stable (Upgraded)
Short Term Rating	SMERA A3 (Upgraded)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**) and the short term rating of '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**) to the bank facilities of Rs. 14.90 crore (enhanced from Rs. 12.90 crore) of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable**'.

The rating upgrade is in view of the improved business and financial risk profile as the company has increased its capacity by setting up of a second manufacturing unit at Chennai. Further, the rating takes support of completed capex.

MRPL, established in 2004, is a Delhi-based company engaged in the production of automotive tyre flaps from natural rubber used in commercial vehicles and heavy utility vehicles. The company's manufacturing facilities are in Dehradun and Chennai with an installed capacity of 2.70 million flaps per annum and 1.20 million flaps per annum respectively.

Key rating drivers

Strengths

Experienced management

The promoters, Mr. Mohit Gupta, Mrs. Radhika Gupta and Mrs. Manju Gupta have more than two decades of experience in the automotive components industry. The experience of promoters has helped them in developing long relationships with reputed customers.

Moderate financial risk profile

The financial risk profile is marked by net worth of Rs.20.37 crore in FY2017 and Rs.18.91 crore in FY2016. The debt equity ratio stood comfortable at 0.65 times in FY2017 as compared to 0.69 times in FY2016. The Interest Coverage Ratio (ICR) stood at 1.97 times in FY2017 as compared to 2.49 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.88 times in FY2017 and 2.31 times in FY2016.

Improving sales, operating and profitability margins

MRPL's operating margin has improved to 9.04 percent on the total operating of Rs.52.04 crore in FY2017 as compared to 7.90 percent on the total operating income of Rs.45.65 crore in FY2016. The PAT margins of the company have improved to 2.73 percent in FY2017 as compared to 1.04 percent in FY2016.

Weaknesses

Working capital intensive nature

The operations of the company are working capital intensive with Gross Current Asset (GCA) of 212 days in FY2017 as compared to 337 days in FY2016. Further, inventory days stood at 79 in FY2017 which has increased from 68 days in FY2016. The debtor days stood at 66 in FY2017 and 146 in FY2016.

Customer concentration risk

MRPL is exposed to high customer concentration risk as the company derives its total revenue mainly for J. K. Tyres Industries Limited and Birla Tyres Limited. However it is reported that the company have recently added new customers and has also added new products like transmission belts and other rubber components.

Susceptibility of profitability to fluctuations in raw material prices

The company is exposed to risks emanating from adverse movements in natural rubber and carbon black prices which are two basic materials required for production of rubber flaps. SMERA believes that company's existing business arrangement with customers to pass on the increase in prices shall reduce this risk by certain extent. Adverse movements in raw material prices may result in downward pressure on company's profitability margins over the near to medium term.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone financial and business risk profile of MRPL.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.04	45.65	43.34
EBITDA	Rs. Cr.	4.71	3.61	4.08
PAT	Rs. Cr.	1.42	0.47	1.67
EBITDA Margin	(%)	9.04	7.90	9.41
PAT Margin	(%)	2.73	1.04	3.85
ROCE	(%)	13.99	6.81	13.74
Total Debt/Tangible Net Worth	Times	0.65	0.69	0.43
PBDIT/Interest	Times	1.97	2.49	3.52
Total Debt/PBDIT	Times	2.33	4.05	1.89
Gross Current Assets (Days)	Days	212	337	301

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument /Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Nov-2017	Cash Credit	Long Term	7.90	SMERA BB+ Issuer not cooperating*
	Proposed Cash Credit	Long Term	1.00	SMERA BB+ Issuer not cooperating*
	Proposed Term Loan	Long Term	1.00	SMERA BB+ Issuer not cooperating*
	Letter of Credit	Short Term	2.00	SMERA A4+ Issuer not cooperating*
	Proposed Letter of Credit	Short Term	1.00	SMERA A4+ Issuer not cooperating*
04-Aug-16	Cash Credit	Long Term	7.90	SMERA BB+ / Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	SMERA BB+ / Stable (Assigned)
	Proposed Term Loan	Long Term	1.00	SMERA BB+ / Stable (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Assigned)
	Proposed Letter of Credit	Short Term	1.00	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50 (enhanced from 7.90)	SMERA BBB- / Stable (Upgraded)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.40 (reduced from 2.00)	SMERA BBB- /Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00 (enhanced from 2.00)	SMERA A3 (Upgraded)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Upgraded)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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