

Press Release

Matangi Rubber Private Limited

June 25, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 14.90 Crore
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed a long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B plus**) and a short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 11.00 crore bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable**'.

Acuité has assigned a short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 3.90 crore bank facilities of Matangi Rubber Private Limited (MRPL).

Delhi-based, Matangi Rubber Private Limited was established in the year 2004 by Mr. Mohit Gupta. The company is engaged in the manufacturing of tyre flaps and tubes from natural rubber, further it has two manufacturing units located in Dehradun and Chennai with the total installed capacity of 30 lakhs flaps per annum.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Matangi Rubber Private Limited (MRPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company Mr. Mohit Gupta and Mrs. Manju Gupta have acquired more than two decades of experience in the automotive components industry. Acuite believes that MRPL will continue to benefit from the experience of the promoters and it will help them build long term relationship with the customers.

- **Moderate financial Risk profile**

The financial risk profile is moderate marked by net worth of Rs.25.16 crores in FY2019 (Provisional) and Rs.22.50 crores in FY2018. The debt equity ratio stood moderate at 0.94 times in FY2019 (Provisional) as compared to 0.80 times in FY2018. The Interest Coverage Ratio (ICR) stood at 2.92 times in FY2019 (Provisional) as compared to 2.18 times in FY2018. The Debt Service Coverage Ratio (DSCR) stood at 2.74 times in FY2019 (Provisional) and 2.05 times in FY2018.

Weaknesses

- **Working capital Intensive nature of operations**

The company has working capital intensive nature of operations marked by Gross Current Asset (GCA) of 197 days in FY2019 (Provisional) as compared to 245 days in FY2018. Further, inventory days stood at 63 in FY2019 (Provisional) which has improved from 90 days in FY2018. The Debtor days stood at 63 in FY2019 (Provisional) and 79 days in FY2018.

- **Susceptibility of profitability to fluctuations in raw material prices**

Operating margins of the company are susceptible to changes in natural rubber and carbon black prices; which are highly volatile. Any abrupt change in raw material prices can lead to distortion in market prices and affect the profitability of players. Operating margins of the company declined from 8.53 percent in FY2019 (Provisional) to 8.90 percent in FY2018.

Liquidity Position:

MRPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 3.91 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.51 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 197 days for FY2019 (Provisional). The current ratio stands at 1.54 times as on 31 March 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that MRPL will maintain a stable outlook over the medium term backed by the promoters experience and order book position. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	76.33	54.84	52.04
EBITDA	Rs. Cr.	6.51	4.88	4.74
PAT	Rs. Cr.	2.65	2.14	1.43
EBITDA Margin	(%)	8.53	8.90	9.11
PAT Margin	(%)	3.48	3.90	2.74
ROCE	(%)	11.93	15.09	14.17
Total Debt/Tangible Net Worth	Times	0.94	0.80	0.65
PBDIT/Interest	Times	2.92	2.18	1.95
Total Debt/PBDIT	Times	3.60	2.70	2.31
Gross Current Assets (Days)	Days	197	245	212

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Manufacturing sector - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of 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 (Up to last three years)

Date	Name of the instrument/facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
09 Apr, 2018	Cash Credit	Long Term	9.50(Enhanced from 7.90)	ACUITE BBB-/ Stable (Upgraded)
	Proposed Facility	Long Term	0.40(Reduced from 2.00)	ACUITE BBB-/ Stable (Upgraded)
	Letter of Credit	Short Term	4.00 (Enhanced from 2.00)	ACUITE A3 (Upgraded)
	Proposed Facility	Short Term	1.00	ACUITE A3 (Upgraded)
15 Nov, 2017	Cash Credit	Long Term	7.90	ACUITE BB+ Issuer not cooperating*
	Proposed Cash Credit	Long Term	1.00	ACUITE BB+ Issuer not cooperating*
	Proposed Term Loan	Long Term	1.00	ACUITE BB+ Issuer not cooperating*
	Letter of Credit	Short Term	2.00	ACUITE A4+ Issuer not cooperating*
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ Issuer not cooperating*
04 Aug, 2016	Cash Credit	Long Term	7.90	ACUITE BB+/Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB+/Stable (Assigned)
	Proposed Term Loan	Long Term	1.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)

*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	6.00 (Reduced from 9.50)	ACUITE BBB-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00 (Enhanced from 4.00)	ACUITE A3 (Reaffirmed)

Sales Bill Discounting	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Assigned)
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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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