

## Press Release

### Matangi Rubber Private Limited

December 29, 2021



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.50	ACUITE BBB-   Stable   Assigned	
Bank Loan Ratings	16.50	ACUITE BBB-   Stable   Reaffirmed	
Total	20.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 16.50 crore and assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 3.50 crore bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable**'.

### Rationale for rating reaffirmation

The rating reaffirmation reflects sustained operations and profitability for FY2021, moderate financial risk profile, adequate liquidity position, extensive experience of promoters and reputed clientele. Also the rating factors in comfort derived by order book position of Rs. 53.74 Cr as on June 2021. Moreover, the firm has booked revenue of Rs. 20.73 Cr as on June 2021. On the contrary, the firm operates in working capital intensive industry and the profitability is susceptible to fluctuations in raw material prices.

### About the Company

Delhi based, MRPL was incorporated in 2004 by Mr. Mohit Gupta and family. The company is engaged in manufacturing tyre flaps and tubes from natural rubber. These tyre flaps mainly find their use in commercial vehicles like trucks, buses, JCB and all heavy utility vehicles. The company operations are run through two manufacturing facilities located in Dehradun and Chennai with the installed capacity of 2.70 million flaps per annum and 1.20 million flaps per annum respectively.

### Analytical Approach

For arriving at the rating, Acuite has taken standalone view on the business and financial risk profile of MRPL.

### Key Rating Drivers

#### Strengths

#### >Experienced promoters and longstanding relationship with reputed customers

MRPL is promoted by Mr. Mohit Gupta, Mrs. Manju Gupta and Mrs. Radhika Gupta. The promoters have a combined experience over 50 years in the automobile ancillary industry. The top management of the company is aided by an equally experienced second line of management personnel. The company has been able to establish a long and healthy relationship with its customers and suppliers owing to the promoter's rich experience and the long track record of operations of over 15 years as evident by a 12 years long relationship with J K Tyres & Industry Limited and Cavendish Industries Limited who are its top customers. Further MRPL has been able to sustain its scale of operations year on year backed by repeated orders by its customers as seen by the turnover of Rs. 59.25 crores as on 31st March

2021 as against Rs. 57.99 crores in the previous year. The current year revenues of MRPL stood at ~Rs. 20.79 crores as of June 2021 with an order book position of Rs. 53.74 crores as of 30 th June 2021. Acuité believes MRPL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

### **>Moderate financial risk profile**

The financial risk profile of company stood moderate marked by moderate net worth, comfortable gearing and healthy coverage indicators. The tangible net worth of MRPL stood moderate at around Rs. 28.01 crores as on 31 March, 2021 as against Rs. 25.85 crores as on 31 March, 2020 on the back of healthy accretion to reserves, which in turn is a result of healthy profitability levels maintained by the company over the years. The company has followed a conservative financial policy in the past, which is reflected by current gearing (debt-to-equity) of 0.89 times as on 31 March, 2021 and 0.69 times in the previous year. The total outside liabilities to total net worth (TOL/TNW) ratio stands at 1.35 times as on 31 March, 2021 and 1.32 times as on 31 March, 2020. The total debt of Rs. 24.91 crore as on 31 March, 2021 (Provisional), consists of term loans of Rs. 5.81 crores, working capital borrowings of Rs. 16.80 crores, Rs. 1.35 crores of unsecured loans from directors and Rs. 0.95 crores of current portion of long term debt. The Debt protection metrics of the company have remained healthy marked by the interest coverage ratio of 2.95 times as on 31st March 2021 as against 2.34 times in the previous year and the debt service coverage ratio of 2.55 times as on 31st March 2021 compared to 2.17 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.15 times for FY2021 . The company reported adequate net cash accruals (NCA) of ~Rs. 3.61 crore in FY2021 and Rs. 3.45 crores in FY2020. Acuité believes that the company will be able to sustain its existing financial risk profile in near to medium term backed by established presence in the Industry, extensive experience of promoters, healthy net cash accruals to support any major debt-funded capital expenditure.

### **Weaknesses**

#### **>Intensive working capital operations**

Matangi Rubber Private Limited operates in working capital intensive nature of operations marked by gross current assets (GCA) of 338 days for FY2021 as against 295 days for FY2020. The increase in GCA days is mainly due to increase in debtors' days from 85 days as on 31 March 2020 to 102 days as on 31 March 2021 the surge was on account of disruption due to Covid-19 pandemic. Further, Inventory days of 134 days as on 31 March 2021 same as previous year. Current Ratio stood at 1.83 times as on 31 March 2021 and the fund-based working capital limits were utilized at an average of ~93.26 percent in the last six months ending June 2021. Acuité believes that the working capital requirements will continue to remain intensive over the medium term.

#### **>Susceptibility of profitability to fluctuations in raw material prices and Customer Concentration Risk**

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. Also, MRPL faces customer concentration risk as around 90 percent of the company's total sales in FY2021 was generated via three customers, namely Cavendish Industries Limited, J K Tyres & Industry Limited and Pioneer Trading Corporation.

### **Rating Sensitivities**

> Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile

> Slowdown in industry leading to inventory pile up.

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 3.61 crore for

FY2021 as against Rs. 1.07 crore of repayment obligations for the same period. The company has unencumbered cash and bank balances of Rs. 0.70 crore as on 31st March 2021. Also, Gross current assets (GCA) stood high at 338 days for FY2021 as against 295 days for FY2020. Further, the fund-based working capital limits are utilized at an average of ~93.36 per cent in the last six months ending June 2021. Therefore, there are enough net cash accruals available to utilize more funds if required to support incremental requirements.

### Outlook: Stable

Acuité believes that the outlook on MRPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	59.25	57.99
PAT	Rs. Cr.	2.17	1.97
PAT Margin	(%)	3.66	3.40
Total Debt/Tangible Net Worth	Times	0.89	0.69
PBDIT/Interest	Times	2.95	2.34

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Nov 2021	Cash Credit	Long Term	12.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3 (Reaffirmed)
10 Sep 2020	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Long Term	1.90	ACUITE A3 (Reaffirmed)
25 Jun 2019	Bills Discounting	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)

09 Apr 2018	Cash Credit	Long Term	9.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Loan	Long Term	0.40	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Short Term Loan	Short Term	1.00	ACUITE A3 (Upgraded from ACUITE A4+)
15 Nov 2017	Cash Credit	Long Term	7.90	ACUITE BB+ (Issuer not co-operating*)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Proposed Term Loan	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
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 Long 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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