Press Release

Matangi Rubber Private Limited

March 24, 2023

Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE BBB-' (read as ACUITE t riple B minus)** on the Rs. 20.00 crore bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation considers the comfort drawn on long track record of operations, extensive experience of the promoters and improvement in business risk profile. Coupled to that, the company has moderate financial risk profile, adequate liquidity. However these strenghts are underpinned by Intensive working capital operation, non moving debtors and Advances given to directors.

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 4.20 million flaps per annum and 1.20 million flaps per annum respectively.

Analytical Approach

For arriving at the rating, Acuité 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 extensive experience over 15 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.

Business risk profile - Improvement
MRPL's operations improved as reflected by improvement in revenue from operations which stood at Rs 79.06 crore in FY2022, Rs 59.25 crore in FY 2021 and Rs 57.99 crore for FY2020. Revenue improved by ~33 percent in FY 22. Operations of company are within domestic boundaries. Increase in revenue in FY 22 is on account of increase in quantity and average price per unit.
Furthermore, the company has recorded revenue of Rs ~74 crore till January 2023. Theoperating profit margin of the company witnessed minuscule moderation of 0.21% and stood at 9.29% in FY2022 as against 9.50% in FY2021. Furthermore, the net profit margin of the company improved by 15 bps and stood at 3.81 percent in FY2022 as against 3.66 percent in FY2021.

Currently, the company has orders in hand of ~Rs 32 crore. ROCE of the company stood at 11.63% in FY2022. Company is targeting revenue of Rs 90 Crore for FY 23.

Financial risk profile-Moderate
MRPL's financial risk profile is moderate marked by moderate net worth of Rs. 32.35 crore as on 31 March 2022 as against Rs.28.01 crore as on 31 March, 2021. The improvement is majorly on account of accretion of profits and treatment of unsecured loan of Rs 1.35 crore as quasi equity in FY 22. Company has conservative leverage policy. The gearing (debt-equity) stood comfortable below unity at 0.91 times as on 31 March, 2022 as against 0.89 times as on 31 March, 2021.
The interest coverage ratio stood comfortable at 3.53 times for FY2022 as against 2.95 times for FY2021. The DSCR also stood comfortable at 2.09 times for FY2022 as compared to 2.55 times for FY2021. The Net Cash Accruals to Total debt remained constant and stood at 0.15 times as on FY2022 and FY2021. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.12 times in FY2022 as against 1.35 times for FY2021

Weaknesses
Working capital management- Intensive
Working capital operations of the company are improved yet intensive in nature as reflected by its gross current asset (GCA) days of 250 days as on March 31, 2022 as against 338 days as on March 31, 2021 which is on account of higher inventory and Debtors days. Inventory days improved and stood at 93 days as on March 31 FY2022 as against 134 days as on March 31 FY2021. Debtor days improved to 95 days as on March 31 FY2022 as against 102 days as on March 21 FY2021. The creditor days stood at 36 days as on March 31, FY2022 as against 79 days as on March 31, 2022.Utilization of fund based working capital limits remains high at ~95% in last seven months ended January 2023.

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 ~89 percent of the company's total sales in FY2022 was generated via three customers, namely Cavendish Industries Limited, J K Tyres & Industry Limited and Pushpdant Impex.

Rating Sensitivities
Growth in operating income with improvement in profitability
Improvement in working capital operations
Slowdown in industry leading to inventory pile up
Any sharp change in raw material prices resulting into dip in profitability and liquidity profile

Material covenants
None

Liquidity Position
Adequate

Liquidity profile of the company remained adequate marked by adequate net cash accruals against its maturing debt obligations. Company generated cash accruals of Rs.4.47 Cr in FY2022 as against its maturing debt obligation of 0.95 Cr in the same period.

Utilization of fund based working capital limits remains high at ~95% in last seven months ended January 2023. Company has unencumbered cash and bank balances of Rs. 0.15 crore as on March 31, 2022. The current ratio of the company stood at 2.06 times as on March 31, 2022 as against 1.77 times as on March 31, 2021.

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 growth in revenue and profitability, improvement in working capital and liquidity profile of the company. 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.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	79.06	59.25
PAT	Rs. Cr.	3.01	2.17
PAT Margin	(%)	3.81	3.66
Total Debt/Tangible Net Worth	Times	0.91	0.89
PBDIT/Interest	Times	3.53	2.95

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
- Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.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
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2021	Cash Credit	Long Term	16.50	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB- | Stable (Assigned)
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)

Annexure - Details of instruments rated

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

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.