Press Release
Matangi Rubber Private Limited
January 05, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	64.15	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	20.00	ACUITE BBB- | Stable | Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	86.15	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 20.00 crore bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable'.**

Further, Acuité has assigned its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating of **'Acuite A3' (read as ACUITE A Three)**on the Rs. 66.15 crore bank facilities of Matangi Rubber Private Limited (MRPL). The outlook is '**Stable'.**

Rationale for Reaffirmation

The rating action takes into account improved Business, moderate financial risk profile and adequate liquidity Position. Company reported growth in revenue from operations by ~9% in FY2023 to Rs. 86.25 crore as against Rs. 79.06 crore for FY2022. The operating profit margin of the company stood at 9.39 percent in FY 23. Company reported PAT of Rs 3.41 crore in FY 23 as against Rs 3.01 crore in FY 22. Financial risk profile of the company improved with improvement in gearing, moderate net worth & comfortable coverage indicators. The Total Tangible net worth stood at Rs. 38.90 Cr as on 31st March 2023 as against Rs. 32.35 Cr a year earlier. Interest coverage ratio stood at 3.24 times for FY2023 and Debt Service coverage ratio stood at 1.80 times for FY2023. However these strengths are underpinned by high working capital requirement and ongoing capital expenditure.
Acuité believes that the firm's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations and timely completion of capex remains a key rating indicator.

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. Company is setting up a Plant for Manufacturing of Tyres for 2/3 Wheelers in MP with estimated capital expenditure of Rs ~71 crore.Capacity of this Plant will be 250000 tyres per Month.

Unsupported Rating

Not Applicable

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

MRPL's operation witnessed improvement which is apparent from growth in revenue from operations by ~9% in FY2023 to 86.25 crore as against Rs. 79.06 crore for FY2022. The operating profit margin of the company remained stable with minuscule increase of 10 bps and stood at 9.39% in FY2023 as against 9.29% in FY2022 likewise the net profit margin of the company remained stable with minor change of 15 bps and stood at 3.96 percent in FY2023 as against 3.81 percent in FY 22. ROCE of the company stood at 12 percent in FY2023.

Financial Risk Profile- Moderate

Company has moderate financial risk profile marked by moderate net worth, low gearing and comfortable coverage indicators. The Total Tangible net worth stood at Rs. 38.90 Cr as on 31st March 2023 as against Rs. 32.35 Cr a year earlier. Company follows conservative leverage policy marked by low gearing. Debt to Equity ratio improved and stood at 0.73 times in FY 2023 as against 0.91 times in FY 22.
Interest coverage ratio decreased by 29 bps and yet stood comfortable at 3.24 times for FY2023 as against 3.53 times in FY2022. Likewise, Debt Service coverage ratio decreased by 29 bps and stood comfortable 1.80 times for FY2023 as against 2.09 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 1.05 times as on FY2023 vis-à-vis 1.12 times as on FY2022. Debt-EBITA improved and stood at 3.03 times as on 31st March 2023 as against 3.63 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.18 times as on FY2023 and 0.15 times for FY2022.

Weaknesses

Working capital operations- Intensive

Company has intensive working capital requirements as evident from gross current assets (GCA) of 258 days in FY2023 as compared to 250 days in FY2022. Intensiveness of Working capital is on account of High Inventory Days and Debtors days. Inventory days stood at 109 days in FY2023 as against 250 days in FY 22.Debtors days stood at 89 days in FY 23 (95 days in FY22).

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 ~90 percent of the company's total sales in FY2023 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
Timely completion of Capita Expenditure

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Liquidity Position
Adequate
Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 5.04 crore for FY2023 as against obligations of Rs. 1.52 crores for the same period. Current Ratio stood at 2.21 times as on 31 March 2023 as against 2.06 times in the previous year. Working capital limits are utilized at ~95 per cent during the last six months ended Nov 23. Cash and Bank Balances of company stood at Rs 0.61 crores.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	86.25	79.06
PAT	Rs. Cr.	3.41	3.01
PAT Margin	(%)	3.96	3.81
Total Debt/Tangible Net Worth	Times	0.73	0.91
PBDIT/Interest	Times	3.24	3.53

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

Not Applicable

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
24 Mar 2023	Cash Credit	Long Term	16.50	ACUITE BBB- | Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- | Stable (Reaffirmed)
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	18.00	ACUITE BBB- | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.38	ACUITE BBB- | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.62	ACUITE BBB- | Stable | Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3 | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.62	ACUITE BBB- | Stable | Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.53	ACUITE BBB- | Stable | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	48.00	ACUITE BBB- | Stable | Assigned

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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.