Press Release

MATANGI RUBBER LIMITED (ERSTWHILE MATANGI RUBBER PRIVATE LIMITED)

April 04, 2025

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	84.15	ACUITE BBB | Stable | Upgraded	-
Bank Loan Ratings	2.00	-	ACUITE A3+ | Upgraded
Total Outstanding Quantum (Rs. Cr)	86.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating at **'ACUITE BBB' (read as ACUITE triple B**f)rom **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating at **'ACUITE A3+' (read as ACUITE A three plus)**from **'ACUITE A3' (read as ACUITE A three)**on the Rs.86.15 crore bank facilities of Matangi Rubber Limited (Erstwhile Matangi Rubber Private Limited)(MRPL). The outlook is **'Stable'**.

Rationale for upgrade

The rating upgrade takes into account the sound business risk profile of the group supported by the integrated nature of operations. The revenue from operations of the group increased to Rs.118.76 Cr. in FY2024 as against Rs.109.93 Cr. in FY2023. Furthermore, the operating margin of the group increased to 15.15 per cent in FY2024 as compared to 10.44 per cent in FY2023. Likewise, the profitability margin stood at 6.96 per cent in FY2024 as against 4.34 per cent in FY2023. The improvement is driven by improved procurement efficiencies and cost rationalization. In addition, the relationship/agreement with JK Tyre And Industries Limited, where the group is supplying tyre-flaps and tubes to JK Tyre And Industries Limited continues to drive their stability and growth. The rating also factors the expansion in manufacturing capability of the group through enhanced capacity (set up of new 2 and 3 wheeler tyre manufacturing plant) thereby further strengthening the scale of operations in near to medium term. In addition, the financial risk profile of the group is marked by a healthy net worth, moderate gearing levels and comfortable debt protection metrics and the liquidity profile is adequate marked by steady net cash accruals against its long-term debt obligations. The rating also draws comfort from established track record and skilled promoters with location advantage along with integrated nature of operations. However, the rating remains constrained by intensive working capital operations of the group, susceptibility of profitability to fluctuations in raw material prices along with customer concentration risk.

About the Company

Matangi Rubber Limited (MRL) was established in 2004 in New Delhi and is engaged in manufacturing tyre-flaps and tubes from natural & synthetic 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. The company has long term relationship and an agreement in place to supply tyres flaps and tubes to JK Tyre, which ensures the stability in the revenue and mitigates business risk. Directors of the company are Ms. Radhika Gupta, Ms. Manju Gupta and Mr. Mohit Gupta.

About the Group

MG Industries Limited

MG Industries Limited (MGI) is a part of Matangi Group. Further, Matangi Rubber Limited (MRL) holds 97.74% in MG as on 31 st December, 2024. MGI manufactures butyl rubber inner tubes on Job-work basis for JK Tyres.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Matangi Rubber Limited and MG Industries Limited. The consolidation is in view of the common management, parent subsidiary relation between the two companies (as on 31 st December, 2024), similar line of business, intergroup purchase and sale, strong operational and financial linkages between the entities.

Key Rating Drivers

Strengths

Experienced promoters and longstanding relationship with reputed customers

The promoters have an extensive experience over 15 years in the industry. In addition, the top management of the group is aided by an equally experienced management personnel. The group 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. Further, the group has long term relationship and an agreement in place to supply tyre-flaps and tubes which ensures the stability in the revenue and mitigates business risk.

Healthy Business Risk Profile

The business risk profile of the group is healthy supported by the integrated nature of operations which enhances the operating efficiencies and mitigates the risks arising from the volatile nature of natural rubber and carbon black prices to some extent. The revenue of the group stood at Rs.118.76 Cr. in FY2024 as compared to Rs.109.93 Cr. in FY2023. The operating margin of the group increased to 15.15 per cent in FY2024 as compared to 10.44 per cent in FY2023. Likewise, the PAT margins stood at 6.96 per cent in FY2024 as against 4.34 per cent in FY2023. The improvement is driven by better absorption of fixed costs ensuring a more sustainable and value-driven approach in business. In addition, the relationship/agreement with JK Tyre And Industries Limited, where the group is supplying tyre-flaps and tubes to JK Tyre And Industries Limited continues to drive their stability and growth. The improved profitability translated into healthy ROCE levels which stood at 14.61% in FY2024 as against 13.38% in FY2023. The group has registered a revenue of Rs.81.51 Cr. till 31st December, 2024.

Further, to fuel further expansion in the product line, the group is expanding its manufacturing capabilities through a capital expenditure project for 2 and 3 Wheelers tyre manufacturing plant at Madhya Pradesh with capacity of 2,25,000 tyres per month. The plant is expected to be operational from April, 2025. JK Tyre And Industries Limited has expressed its intent to purchase 2,00,000 tyres per month, out of the total capacity for a period of 5 years. Acuite expects the scale of operations of the group will improve in near to medium term backed by the optimised material consumption and enhanced capacity through its new manufacturing unit.

Healthy Financial Risk Profile

The group's financial risk profile is marked by healthy networth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the group increased to Rs.66.59 Cr. as on March 31, 2024 from Rs.46.83 Cr. as on March 31, 2023 due to accretion of profits into reserves and increase in share capital (under Matangi Rubber Limited). The total debt of the group stood at Rs. 68.11 Cr. as on March 31, 2024 as against Rs. 37.87 Cr. as on March 31, 2024. The increase in debt is on an account of the term loan undertaken for capex project of the group. The capital structure of the group is marked by gearing which stood at 1.02 times as on March 31, 2024 as against 0.81 times as on March 31, 2023. The debt protection metrics remained comfortable marked by interest coverage ratio (ICR) of 4.17 times and debt service coverage ratio (DSCR) of 2.05 times for as on March 31, 2024. Debt-EBITDA stood at 3.52 times in as on March 31, 2024 as against 2.98 times in as on March 31,2023. Further, the net cash accruals to total debt (NCA/TD) stood at 0.17 times in FY2024 as against 0.18 times in FY2023 and Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.45 times as on March 31, 2024 as against 1.27 times as on March 31, 2023. Going forward, the financial risk profile of the group is expected to remain in similar range with no further debt funded capex plans in near term.

Weaknesses

Intensive working cycle

The working capital cycle of the group is intensive marked by Gross Current Assets (GCA) of 324 days as on 31st March 2024 as compared to 254 days as on 31st March 2023. The inventory days of the group stood at 90 days as on 31st March 2024 as compared to 105 days as on 31st March 2023. Further, the debtor days of the group stood at 128 days as on 31st March 2024 as against 115 days as on 31st March 2023. Against this, the group has creditors, which stood at 94 days as on March 31, 2024 as against 70 days as on March 31, 2023. The working capital requirement stood utilised at an average 95.31% over last six months ended January, 2025. Acuité believes that the working capital operations of the group will remain in similar range in near to medium term.

Susceptibility of profitability to fluctuations in raw material prices and Customer Concentration Risk
Operating margins of the group are susceptible to changes in rubber and carbon black prices, which are highly volatile in nature. Any abrupt change in raw material prices can lead to distortion in market prices and affect the profitability of players. Further, the group faces customer concentration risk as more than 70% of the group's total sales in FY2024 was generated via two customers, namely Cavendish Industries Limited, J K Tyres & Industries Limited. Such customer concentration limits the bargaining power with the customers and makes them more susceptible to any change in terms of contracts and risk of cancellation of contracts, thus directly affecting its revenue profile.

Rating Sensitivities

- Sustenance of the profitability margins while scaling up of operations.
- Working capital operations.
- Monetisation of new capex .

Liquidity Position

Adequate

The group has adequate liquidity marked by net cash accruals of Rs.11.65 Cr. as on March 31, 2024 as against Rs.3.32 Cr. of debt obligations over the same period. Going forward, the group is expected to generate net cash accruals under the range of Rs.13.50 Cr. to Rs.24.00 Cr. against debt obligations of upto Rs.8.74 Cr. over the same period. The current ratio of the group stood comfortable at 2.12 times in FY2024. The cash and bank balance stood at Rs.3.11 Cr. as on March 31, 2024. Acuité believes that the liquidity of the group is expected to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	118.76	109.93
PAT	Rs. Cr.	8.26	4.77
PAT Margin	(%)	6.96	4.34
Total Debt/Tangible Net Worth	Times	1.02	0.81
PBDIT/Interest	Times	4.17	3.14

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.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
05 Jan 2024	Stand By Line of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	48.00	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	3.53	ACUITE BBB- | Stable (Assigned)
	Proposed Cash Credit	Long Term	12.62	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB- | Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.38	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	1.62	ACUITE BBB- | Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BBB | Stable | Upgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.15	Simple	ACUITE BBB | Stable | Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3+ | Upgraded (from ACUITE A3)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 May 2034	48.00	Simple	ACUITE BBB | Stable | Upgraded (from ACUITE BBB-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Matangi Rubber Limited
2	MG Industries Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations Archita Sharma Associate Analyst-Rating Operations	**Contact details exclusively for investors and lenders** Mob: +91 8591310146 Email ID: analyticalsupport@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.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.