

Press Release

Mantra Industries Limited

April 09, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 172.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE D**' (**read as ACUITE D**) and short term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs. 70.95 crore bank facilities of Mantra Industries Limited (MIL). The outlook is '**Stable**'.

Further, Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 101.05 crore bank facilities of MANTRA INDUSTRIES LIMITED (MIL). The outlook is '**Stable**'.

The rating revision is in view of persistent liquidity pressure on account of spike in working capital requirement, however there was subsequent information from lenders that adhoc facility was availed which were later regularised. Further, the rating is constrained on account of deterioration in MIL's operating performance viz a viz Acuité expectations. The working capital operations are intensive marked by GCA days of 181 in FY2018 from 71 in FY2017. GCA days are mainly dominated by high collection period of 131 days in FY2018 as against 57 days in FY2017.

MIL, incorporated in 2009, was promoted by Mr. V. Ganeshan, Ms V. Anusha and Ms. B. Priyamvadha. The company is engaged in the manufacturing and distribution of electrical and electronic home appliances such as mixer grinders, wet grinders and pressure cookers, among others. The company has also set up facilities for assembling of electronic items such as weighing scales, digital set top boxes and laptops. The manufacturing facility is located at Coimbatore (Tamil Nadu) with 8 injection moulding machines and capacity of 50 lakh units per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MIL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

MIL was promoted by Mr. V. Ganeshan (Chairman of the group), Ms. V. Anusha and Ms. B. Priyamvadha. Mr. V. Ganeshan, has more than four decades of experience in the home appliances industry and supplies electronics appliances to the government of Tamil Nadu. Ms. V. Anusha (Director) has over two decades of experience in the retailing of household appliances, while Ms. B. Priyamvadha has more than a decade of experience in factory administration. Acuité believes that MIL will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

- **Moderate financial risk profile**

MIL has moderate financial risk profile marked by net worth, gearing and debt protection measures. The tangible net worth of the company stood average at Rs.61.27 crore as on March 31, 2018 against Rs.38.46 crore as on March 31, 2017. The accretion in reserve is on account of unsecured loans of

Rs.31.60 crore as on 31 March, 2018 from promoters which are treated as quasi equity based on the undertaking provided by the management that the same will be maintained in the business over the long term. The gearing (debt-equity) remained moderate at 1.08 times as on March 31, 2018 against 0.07 times as on March 31, 2017. The total debt outstanding of Rs.66.37 crore as on 31 March, 2018 comprises of working capital borrowing of Rs.65.81 crore and term loan of Rs.0.56 crore. The coverage indicator of the company stood at moderate levels. ICR stood at 3.92 times and DSCR stood at 2.79 times in FY2018. Total outside liabilities to tangible net worth has stood at 3.14 times as on 31 March, 2018. The Net cash accruals to Total debt (NCA/TD) stood at 0.14 times for FY2018. The Return on Capital Employed (RoCE) stood at 17.86 per cent in FY2018. Acuité believes that any higher-than-expected deterioration in financial risk profile of the company will remain a key rating sensitivity factor.

Weaknesses

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 181 days for FY2018 as against 71 days for FY2017. The deterioration in GCA is mainly due to a significant increase in collection days to 131 days in FY2018 from 57 days in FY2017. Further, the working capital utilisation for MIL stood at 100 percent for the last six months ending January 2019. Acuité believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

- **Susceptibility of margins to volatility in raw material prices**

The profitability margins of the company are susceptible to volatility in raw material prices (majorly copper and steel) that comprises 95.00 per cent of the total cost of sales. Any fluctuation in the raw material prices will directly impact profitability margins of MIL.

Liquidity position:

MIL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.35-9.18 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.56-0.81 crore over the same period. The cash accruals of the company are estimated to remain around Rs.7.50-9.00 crore during 2019-21, while its repayment obligations are estimated to be nil. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 181 in FY2018. The cash credit limit in MIL remains fully utilised ended December, 2018. The company maintains unencumbered cash and bank balances of Rs.5.20 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.44 times as on March 31, 2018.

Outlook: Stable

Acuité believes that MIL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and improving revenue and profitability. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	443.73	210.30	333.80
EBITDA	Rs. Cr.	15.06	4.10	10.00
PAT	Rs. Cr.	7.88	2.19	3.01
EBITDA Margin	(%)	3.39	1.95	3.00
PAT Margin	(%)	1.77	1.04	0.90
ROCE	(%)	17.86	7.62	23.75
Total Debt/Tangible Net Worth	Times	1.08	0.07	1.20
PBDIT/Interest	Times	3.92	3.88	2.06
Total Debt/PBDIT	Times	4.05	0.45	4.10
Gross Current Assets (Days)	Days	181	71	112

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jan-2019	Proposed Bank Guarantee	Short Term	INR 5	ACUITE D (Downgraded from ACUITE A3+) Issuer not co-operating*
	Proposed Letter of Credit	Short Term	INR 60	ACUITE D (Downgraded from ACUITE A3+) Issuer not co-operating*
	Cash Credit	Long Term	INR 13	ACUITE D (Downgraded from ACUITE BBB- /Stable) Issuer not co-operating*
	Proposed Bank Guarantee	Short Term	INR 1.5	ACUITE D (Downgraded from ACUITE A3+) Issuer not co-operating*
	Proposed Cash Credit	Long Term	INR 41.71	ACUITE D (Downgraded from ACUITE BBB- /Stable) Issuer not co-operating*
	Term Loan	Long Term	INR 0.84	ACUITE D (Downgraded from ACUITE BBB- /Stable) Issuer not co-operating*
	Cash Credit	Long Term	INR 10.95	ACUITE D (Downgraded from ACUITE BBB- /Stable) Issuer not co-operating*
	Cash Credit	Long Term	INR 35	ACUITE D (Downgraded from ACUITE BBB- /Stable) Issuer not co-operating*
	Bank Guarantee	Short Term	INR 4	ACUITE D (Downgraded from ACUITE A3+) Issuer not co-operating*
01-Dec-2017	Proposed Cash Credit	Long Term	INR 41.71	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	INR 4	ACUITE A3+ (Assigned)
	Proposed Letter of Credit	Short Term	INR 60	ACUITE A3+ (Assigned)
	Proposed Bank Guarantee	Short Term	INR 6.5	ACUITE A3+ (Assigned)

09-Nov-2017	Cash Credit	Long Term	INR 58.95	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	INR 0.84	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	INR 58.98	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	INR 0.84	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	INR 41.71	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	INR 4	ACUITE A3+ (Assigned)
	Proposed Letter of Credit	Short Term	INR 60	ACUITE A3+ (Assigned)
	Proposed Bank Guarantee	Short Term	INR 6.5	ACUITE A3+ (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 I	Not Applicable	Not Applicable	Not Applicable	13.00#	ACUITE BB / Stable (Upgraded from ACUITE D)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	10.95	ACUITE BB / Stable (Upgraded from ACUITE D)
Cash Credit III	Not Applicable	Not Applicable	Not Applicable	35.00^	ACUITE BB / Stable (Upgraded from ACUITE D)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.84	ACUITE BB / Stable (Upgraded from ACUITE D)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Upgraded from ACUITE D)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Upgraded from ACUITE D)
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB / Stable (Assigned)
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB / Stable (Assigned)
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	8.55	ACUITE BB / Stable (Assigned)
Letter of credit*	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4+ (Assigned)
Letter of credit*	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A4+ (Assigned)
Letter of credit*	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A4+ (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.66	ACUITE BB / Stable (Upgraded from ACUITE D)

#Sub limit - Letter of Credit of Rs 7.50 crore and Bank Guarantee of Rs. 7.50 crore.

^Sub limit - Letter of Credit of Rs 30.00 crore

*Project Specific facilities

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuite.ratings.in	

About Acuité Ratings & Research:

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