

Press Release

Milton Industries Limited (MIL)

05 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short term rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of **'SMERA BB+' (read as SMERA double B plus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs 21.50 crore bank facilities of Milton Industries Limited (MIL). The outlook is **'Stable'**.

Milton Industries Limited (MIL), incorporated in 1985 is an ISO 9001:2008 certified company based in Ahmedabad (Gujarat). The company manufactures laminates, artificial leather cloth and glass fibre Reinforced Epoxy (GFRE) sheets in Gujarat.

The manufacturing facilities are located at Mehsana and Sabarkantha. Initially, the company was engaged in the manufacture of laminates. It later diversified into the manufacture and export of artificial leather cloth, GFRE Sheets, Decorative Glass Fabric Rein Forced Plastic Sheets (DGFRP), Composite Compress Laminate Sheets (CCL) among others for Indian Railways. The company caters to the real estate sector, Indian railways and roadways. The company also has a High Pressure Hydraulic Press to manufacture 12 x 6 size of compact laminates for Europe, America and Australia.

Key Rating Drivers

Strengths

- **Experience management and established track record**

The company is promoted by Mr. Vijay Jain, Mr. Abhaykumar Jain, Mr. Vikas Jain and others who have more than three decades of experience in the manufacturing and export of laminates, artificial leather cloth and Glass Fibre Reinforced Epoxy (GFRE) sheets products. The promoters developed healthy relations with customer and suppliers.

- **Moderate financial risk profile**

The net worth stood at Rs. 17.22 crore as on 31 March, 2017 compared to Rs. 16.26 crore as on 31 March, 2016. The gearing stood moderate at 1.09 times as on 31 March, 2017 which improved from 1.20 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) improved to 2.13 times in FY2017 as against 2.07 times in FY2016. The DSCR improved to 1.15 times in FY2017 from 1.05 times in FY2016.

- **Improving operating and profitability margins**

The operating income improved to Rs. 43.21 crore in FY2017 from Rs.41.94 crore in FY2016. The EBITDA margins improved to 11.14 percent in FY2017 from 10.47 percent in FY2016. The PAT margins improved significantly to 2.20 percent in FY2017 from 0.93 percent in FY2016.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets days of 355 in FY2017 and 298 days in FY2016. The high GCA days are due to inventory days of 205 in FY2017 which increased from 186 days in FY2016. Further, the debtors days also increased to 124 days in FY2017 from 80 days in FY2016.

• Intense competition and fragmented industry

The company is exposed to intense competition in the industry from several small and large players, limiting its bargaining power with customers.

• Susceptibility of margins to fluctuations in raw material prices and forex rates

MIL is exposed to fluctuations in raw material prices and foreign exchange fluctuation risk. Adverse movements in raw material prices of artificial leather resins and Poly Vinyl Chloride would have a direct bearing on profitability.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profiles of MIL.

Outlook: Stable

SMERA believes that the outlook of MIL will remain stable over the medium term owing to its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers steady and diversified revenue profile with stable operating margins and continues to maintain moderate financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital cycle or decline in revenue.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.21	41.94	41.88
EBITDA	Rs. Cr.	4.81	4.39	3.82
PAT	Rs. Cr.	0.95	0.39	0.61
EBITDA Margin	(%)	11.14	10.47	9.11
PAT Margin	(%)	2.20	0.93	1.46
ROCE	(%)	9.69	9.68	18.27
Total Debt/Tangible Net Worth	Times	1.09	1.20	1.11
PBDIT/Interest	Times	2.13	2.07	1.87
Total Debt/PBDIT	Times	3.87	4.41	4.42
Gross Current Assets (Days)	Days	355	298	303

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

CARE in its rationale dated February 23, 2018 stated that it has been seeking information from Milton Industries Limited to monitor the ratings vide e-mail communications / letters and numerous phone calls. However, despite of repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on Milton Industries Limited's bank facilities will now be denoted as CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING*.

Any other information

Not Any

Applicable Criteria

- Manufacturing entities- <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	SMERA BB+/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.61	SMERA BB+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.75	SMERA A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.64	SMERA BB+/ Stable/A4+

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*