

Press Release

Madhuram Industries Private Limited (MIPL)

May 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.15.00 crore
Long Term Rating	SMERA BB/ Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of **'SMERA BB' (read as SMERA double B)** to the Rs.15.00 crore bank facilities of Madhuram Industries Private Limited (MIPL). The outlook is **'Stable'**.

The Gujarat-based Madhuram Industries Private Limited (MIPL) was incorporated in 2003 by Mr. Nayan Vadilal Thakkar and Mr. Kamleshkumar Hiralal Thakkar. The company is engaged into milling and processing of paddy into non-basmati rice. The manufacturing unit is located in Bavla (Gujarat) having total production capacity of 5 tonne per hour.

Key rating drivers

Strengths:

Experienced management and established track record

MIPL was incorporated in 2003 and the promoters have experience of over two decades in rice processing industry.

Moderate scale of operations and declining profitability

MIPL reported revenues of Rs.70.07 crore in FY2017 which has grown from Rs.56.62 crore in FY2016. The operating margins have declined to 3.71 percent in FY2017 from 4.54 percent in FY2016. The company had to compromise on margins due to stiff competition.

Weaknesses:

Weak financial risk profile

MIPL's networth stood at Rs.5.04 crore in FY2017 as against Rs.4.72 crore in FY2016. The gearing (Debt-Equity) stood at 3.67 times as on 31 March, 2017 as against 3.79 times as on 31 March, 2016. The total debt of Rs.18.50 crore as on 31 March, 2017 comprises term loan of Rs.1.43 crore, unsecured loans from promoters of Rs.3.40 crore and working capital borrowings of Rs.13.67 crore. The Interest Coverage Ratio (ICR) stood at 1.71 times in FY2017 as against 1.77 times in FY2016. Total Other Liabilities/Total Net Worth (TOL/TNW) stood at 4.31 times as on 31 March, 2017 as against 3.87 times as on 31 March, 2016.

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset (GCA) of 121 days in FY2017 and FY2016. The company had inventory of 94 days in FY2017 compared to 92 days in FY2016 and debtors outstanding of 28 days in FY2017 as against 31 days in FY2016.

Susceptible to agro climatic risk and high competition:

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry. Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MIPL to arrive at the rating.

Outlook: Stable

SMERA believes that MIPL will maintain a 'Stable' outlook over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case of significant and sustainable growth in revenues and accruals while maintaining its working capital efficiently. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or in case of further elongation of working capital cycle.

About the Rated Entity –Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.07	56.62	49.42
EBITDA	Rs. Cr.	2.60	2.57	2.45
PAT	Rs. Cr.	0.33	0.29	0.28
EBITDA Margin	(%)	3.71	4.54	4.96
PAT Margin	(%)	0.46	0.52	0.57
ROCE	(%)	8.55	8.65	18.73
Total Debt/Tangible Net Worth	Times	3.67	3.79	4.94
PBDIT/Interest	Times	1.71	1.77	1.65
Total Debt/PBDIT	Times	7.12	6.95	6.90
Gross Current Assets (Days)	Days	121	121	127

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

None

Rating History for the last three years:

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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>

***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	14.00	SMERA BB/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB/ Stable (Assigned)

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ABOUT SMERA

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