

Press Release

Madhuram Industries Private Limited

January 30, 2019

Rating Reaffirmed



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 15.00 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

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

The Gujarat-based, 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 10 tons per hour.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

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

- **Moderate working capital cycle**

The company has moderate working capital cycle as marked by Gross Current Asset (GCA) days of 96 in FY2018 as compared to 121 in the previous year. This is on account of inventory clearance as indicated by decline in inventory days from 121 in FY2017 to 96 in FY2018. Debtor days have almost halved from 28 in the previous year to 14 in FY2018. Bank limit utilisation remains moderate at ~80-85 percent. Current ratio of the company has improved from 1.37 times in FY2017 to 1.51 times in FY2018.

Weaknesses

- **Moderate financial risk profile**

MIPL's net worth stood at Rs.5.42 crore in FY2018 as against Rs.5.04 crore in FY2017. The gearing (Debt-Equity) stood at 2.89 times as on FY2018 as against 3.67 times as on FY2017. The total debt of Rs.15.69 crore as on FY2018 comprises term loan of Rs.0.84 crore, unsecured loans from promoters of Rs.3.14 crore and working capital borrowings of Rs.11.71 crore. Interest Coverage Ratio (ICR) stood at 1.79 times in FY2018 as against 1.71 times in FY2017. Total Other Liabilities/Total Net Worth (TOL/TNW) stood at 3.02 times as on FY2018 as against 4.31 times as on FY2017.

- **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.

Liquidity Position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company had cash accruals of Rs.0.98 crore in FY2018, while the maturing debt obligations were in the range of Rs.0.30-0.60 crore over the same period. The cash accruals are estimated to remain around Rs.1.00-1.30 crore during 2019-21. The company's operations are moderately intensive as marked by gross current asset (GCA) days of 96 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit remains utilised at ~90 percent during the last 12 months period ended December 2018. The current ratio stood healthy at 1.51 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that MIPL will maintain a 'Stable' outlook over the medium term on account of the experienced management and moderate working capital cycle. The outlook may be revised to 'Positive' in case of significant and sustainable growth while maintaining its working capital efficiently. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 71.96 | 70.07 | 56.62 |
| EBITDA | Rs. Cr. | 2.44 | 2.60 | 2.57 |
| PAT | Rs. Cr. | 0.38 | 0.33 | 0.29 |
| EBITDA Margin | (%) | 3.39 | 3.71 | 4.54 |
| PAT Margin | (%) | 0.53 | 0.46 | 0.52 |
| ROCE | (%) | 8.78 | 8.55 | 16.47 |
| Total Debt/Tangible Net Worth | Times | 2.89 | 3.67 | 3.79 |
| PBDIT/Interest | Times | 1.79 | 1.71 | 1.77 |
| Total Debt/PBDIT | Times | 6.13 | 7.12 | 6.95 |
| Gross Current Assets (Days) | Days | 96 | 121 | 121 |

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>
- 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 |
|-------------|---------------------------------|-----------|------------------|-------------------------------|
| 24-May-2018 | Cash Credit | Long Term | 14.00 | ACUITE BB / Stable (Assigned) |
| | Term Loan | Long Term | 1.00 | ACUITE BB / Stable (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 | Not Applicable | Not Applicable | Not Applicable | 14.00 | ACUITE BB / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.31 | ACUITE BB / Stable (Reaffirmed) |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 0.69 | ACUITE BB / Stable (Assigned) |

Contacts

| Analytical | Rating Desk |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuute.in</p> <p>Kunal Khara Analyst - Rating Operations Tel: 02249294042 kunal.khara@acuiteratings.in</p> | <p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in</p> |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.