

## Press Release

### Madhuram Industries Private Limited

July 09, 2021



#### Rating Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.20.00 Cr.
<b>Long Term Rating</b>	ACUITE BB (Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.20.00 Cr. bank facilities of Madhuram Industries Private Limited (MIPL).

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuité's policy on withdrawal of ratings.

#### About the Entity

Madhuram Industries Private Limited was incorporated in the year 2003. It is Bavla-Gujarat based Company promoted by Mr.Nayan Vadilal Thakkar and Mr.Kamlesh Kumar Hiralal Thakkar. The company is engaged in milling and processing of paddy into Non-Basmati rice. The Company has total manufacturing capacity of 20 tons/hour. The company sells its product mostly in the domestic market.

#### Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of MIPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operation and experienced management**

MIPL was established in the year 1990 as a partnership firm. Later in the year 2003, the constitution of the firm was changed to private limited company. MIPL has a long track record of operation of three decades. The company is promoted by Mr. Nayan Vadilal Thakkar and Mr. Kamlesh Kumar Hiralal Thakkar. The promoters have over three decades of experience in the agro industry. The company benefits from the extensive experience of the promoters, which is reflected by repeated orders from the reputed customers' year on year basis.

##### Weaknesses

- **Average Financial risk profile**

MIPL's financial risk profile is average marked by average net worth, high gearing coupled with average debt protection metrics and coverage indicators. The company's net worth stood at Rs.10.66Cr as on March 31, 2020 as against Rs.9.67Cr as on March 31, 2019. The company has followed an aggressive financial policy in the past. The gearing continues to be high at around 1.95 times as on March 31, 2020 as against 1.67 times as on March 31, 2019. The total outside liabilities to tangible net worth (TOL/TNW) levels stood at 2.02 times as on March 31, 2020 as against 1.73 times as on March 31, 2019. The company, on the other hand, generated cash accruals of Rs.0.80Cr in FY2020 as against Rs.0.84Cr in FY2019.

The revenue of the company has marginally improved by around 4.18 percent to Rs.85.79 Cr in FY2020 from Rs.82.35Cr in FY2019. EBITDA has improved to Rs.2.85Cr in FY2020 as against Rs.2.51Cr in FY2019. The PAT of the company has improved to Rs.0.44Cr in FY2020 as against Rs.0.42Cr in FY2019. The moderate profitability level, coupled with moderate debt level, has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.04 times and 1.49 times, respectively as against 0.05 times and 1.61 times in FY2019. The debt service coverage ratio stood 1.41 times in FY2020 as against 1.52 times in FY2019. The Debt-EBITDA ratio stands at 7.07 times in FY2020 against 6.18times in FY2019.

• **Working capital operation is intensive in nature**

MIPL's working capital operation is intensive in nature as it is reflected by its Gross Current Asset (GCA) days of around 123 days in FY2020 as against 106 days in FY2019. The inventory holding period stood at 98 days as on March 31, 2020 as against 90 days as on March 31, 2019. The inventory holding period stood high on account of piling up of the stock due to supply chain disruption in view of Covid-19 pandemic. The debtor collection period stood 19 days as on March 31, 2020 as against 14 days as on March 31, 2019. On the other hand the credit payment period to its supplier stood at 4 days as on March 31, 2020 as against 3 days as on March 31, 2019. The bank limit utilization stood moderately high at around 79.56 percent for the last five months ended December 2020, while its peak utilization stood high at 97.65 percent during the same period.

• **Agro Climatic Risk**

Paddy, the main raw material required for rice milling is a seasonal crop and the production of the same is highly dependent on the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather condition, which will in turn impact the financial risk profile of the company.

**Liquidity position: Adequate**

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.80 Cr in FY2020, while its' maturing debt obligation were Rs.0.18 Cr for the same period. The cash accrual of the company is estimated to remain around Rs.0.75 Cr to Rs.1.20 Cr during 2021-23 against repayment obligations of around Rs.0.80 Cr to Rs.1.50 Cr during the same period. The company's working capital operation is intensive in nature marked by the Gross Current Asset (GCA) days of 123 days in FY2020 as against 106 days in FY2019. The average bank limit utilization stood moderately high at around 79.56 per cent for five months ended December 2020. The company maintains unencumbered cash and bank balances of Rs.0.78 Cr as on 31 March 2020. The current ratio of the group has improved to 1.38 times as on 31 March 2020 from 1.44 times as on March 31, 2019.

**Rating Sensitivities**

Not Applicable

**Material Covenants**

None

**Outlook**

Not Applicable

**About the Rated Entity - Key Financials**

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	85.79	82.35
PAT	Rs. Cr.	0.44	0.42
PAT Margin	(%)	0.51	0.50
Total Debt/Tangible Net Worth	Times	1.95	1.67
PBDIT/Interest	Times	1.49	1.61

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Feb-2021	Cash Credit	Long Term	14.00	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB / Stable (Reaffirmed)
06-Jan-2020	Cash Credit	Long Term	14.00	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB / Stable (Reaffirmed)
30-Jan-2019	Cash Credit	Long Term	14.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	0.31	ACUITE BB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.69	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 Available	Not Applicable	14.00	ACUITE BB (Withdrawn)
Cash Credit	Not Applicable	Not Available	Not Applicable	5.00	ACUITE BB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB (Withdrawn)

**Contacts**

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022 – 49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager – Rating Desk Tel: 022 – 49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Aditya Sahu Analyst – Rating Operations Tel: 022 – 49294055 <a href="mailto:aditya.sahu@acuite.in">aditya.sahu@acuite.in</a>	

**About Acuité Ratings & Research:**

Acuité Ratings & Research 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 8,780 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Acuité's rating scale and its definitions.