

## Press Release

Mrinalini Biri Manufacturing Company Private Limited

October 30, 2018

### Rating Assigned



|                              |                               |
|------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs. 8.50 Cr.                  |
| Long Term Rating             | ACUITE BBB- / Outlook: Stable |
| Short Term Rating            | ACUITE A3                     |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 8.50 crore bank facilities of Mrinalini Biri Manufacturing Company Private Limited (MBMCPL). The outlook is '**Stable**'.

The West Bengal based, MBMCPL was founded in 1924 as a partnership firm and later converted into a private limited company in 1942. Currently, the operations are managed by the third generation headed by Mr. Tapan Kumar Das and Mr. Samir Kumar Das among others. The company is engaged in manufacturing of biris with a capacity of one crore biri sticks per day.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

Founded in 1924, the company has a long track record of around ninety years in the biri manufacturing business. The long track record has helped the company to establish healthy relationship with customers and suppliers.

- **Improvement in operating income**

The operating income of the company has improved from Rs.54.66 crore in FY2017 to Rs.67.36 crore in FY2018 while sustaining its operating margins which stood at 3.14 percent in FY2017 as against 3.90 percent in FY2018.

- **Healthy financial risk profile**

The financial risk profile of MBMC is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth stood healthy at Rs.21.05 crore in FY2018 as against Rs.19.93 crore in FY2017. The gearing of the company stood low at 0.58 times in FY2018 as against 0.54 times in FY2017. The total debt of Rs.12.25 crore consists of unsecured loan of Rs.6.00 crore and short term facilities of Rs.6.25 crore in FY2018. The debt protection metrics stood healthy with Interest Coverage Ratio (ICR) at 4.33 times in FY2018 as against 3.52 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 3.25 times in FY2018 as against 2.37 times in FY2017. The Total outside Liabilities/ Tangible Net Worth (TOL/TNW) stood at 1.14 times in FY2018 as against 1.07 times in FY2017. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.12 times in FY2018 as against 0.07 times in FY2017.

#### Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 227 days in FY2018 as compared to 255 days in FY2017. The high GCA days are mainly of account of maintenance of bulk inventory in the form of tendu leaves whose availability is season based. Inventory days stood at 172 days as on FY2018 as compare to 166 days in the previous year.

#### • Intense competition and regulatory risk

The biri industry is highly competitive and fragmented with a large number of players in the organised and unorganised sector. Furthermore, the company faces significant regulatory risk as biri is a tobacco product. There is further regulatory risk with regards to wages of the laborers.

#### Outlook: Stable

Acuite believes that the outlook on MBMCPL will remain 'Stable' over the medium term back by the experience of its management. The outlook maybe revised to 'Positive' in case of improvement in the working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of a stretch in the working capital cycle or deterioration in the financial risk profile of the company.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 67.36         | 54.66         | 46.20         |
| EBITDA                        | Rs. Cr. | 2.62          | 1.72          | 1.53          |
| PAT                           | Rs. Cr. | 0.77          | 0.39          | 0.64          |
| EBITDA Margin                 | (%)     | 3.90          | 3.14          | 3.31          |
| PAT Margin                    | (%)     | 1.15          | 0.72          | 1.39          |
| ROCE                          | (%)     | 6.47          | 5.05          | 9.28          |
| Total Debt/Tangible Net Worth | Times   | 0.58          | 0.54          | 0.49          |
| PBDIT/Interest                | Times   | 4.33          | 3.52          | 3.19          |
| Total Debt/PBDIT              | Times   | 4.52          | 5.88          | 5.86          |
| Gross Current Assets (Days)   | Days    | 227           | 255           | 258           |

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

Not Available

#### Any other information

Not Available

#### 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)

Not Applicable

#### \*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 | 8.00                        | ACUITE BBB-/Stable (Assigned) |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 0.40                        | ACUITE A3 (Assigned)          |
| Proposed Facilities    | Not Applicable   | Not Applicable | Not Applicable | 0.10                        | ACUITE BBB-/Stable (Assigned) |

## Contacts

| Analytical   | Rating Desk   |
|--|---|
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### About Acuite Ratings & Research:

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