

## Press Release

**Mrinalini Biri Manufacturing Company Private Limited**

October 30, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	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 core 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**

Acuité 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)

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### About Acuité Ratings & Research:

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