

## Press Release

### Monal Chains Limited

April 09, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 7.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 7.00 crore bank facilities of Monal Chains Limited. The outlook is '**Stable**'.

MCL, based at Mumbai, was incorporated in 1981. The company is engaged in manufacturing of all kinds of chains and slings for industrial purposes. The company has manufacturing facility in Boisar and offices in Mumbai, Delhi and Chennai. The company has a strong distribution and marketing network and cater to customers across India.

### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of MCL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and healthy relations with suppliers and customers**

The promoters of the company have extensive experience in chain manufacturing business and are well equipped with knowledge of the industry. Mr. Rajendra Gupta has over 45 years of experience in the business and Mr. Ajay Gupta has over 20 years of experience. They have developed strong relationship with customers and suppliers.

#### Weaknesses

- **Moderate financial risk profile**

The average financial risk profile of the company is marked by tangible net worth of Rs.3.97 crore in FY2018 as it increased from Rs.2.81 crore in FY2017, on account of retention of profits. The gearing stood at 2.03 times as on 31 March, 2018 as against 1.64 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.35 times in FY2018 as well as in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.66 times as on 31 March, 2018 as against 2.26 times as on 31 March, 2017. Going forward, Acuite expects the company to improve its financial risk profile on account of improving profitability, slow but increasing scale of operations and absence of any major debt funded capex plans.

- **Working capital intensive nature of operations**

The company has working capital intensive nature of operations marked by high GCA days of 422 in FY2018 as against 387 in FY2017. The high GCA days is mainly on account of high inventory days which stood at 390 in FY2018 as against 353 in FY2017. MCL has to maintain high inventory due to the different sizes and variety of chains and slings it offers.

### Liquidity Position

Liquidity of MCL is marked by low cash accruals to debt obligations at 0.03 times as on March 31, 2018. The cash accruals stood at Rs.0.25 crore as on March 31, 2018. The company's working capital operations are intensive marked by gross current asset (GCA) of 422 days for FY2018 which has led to reliance on working capital borrowings. The company maintains unencumbered cash and bank

balances of Rs.0.78 crore as on 31 March, 2018. The current ratio stood at 1.72 times as on March 31, 2018. Acuite believes that with low cash accruals and upcoming obligations, the liquidity would remain stretched over the near to medium term.

### Outlook: Stable

Acuite believes that MCL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability and improvement in liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.12	9.62	13.73
EBITDA	Rs. Cr.	1.21	1.01	1.37
PAT	Rs. Cr.	0.15	0.13	0.23
EBITDA Margin	(%)	12.00	10.48	9.94
PAT Margin	(%)	1.52	1.32	1.70
ROCE	(%)	10.34	9.00	23.35
Total Debt/Tangible Net Worth	Times	2.03	1.64	1.68
PBDIT/Interest	Times	1.35	1.35	1.60
Total Debt/PBDIT	Times	6.54	6.14	4.57
Gross Current Assets (Days)	Days	422	387	252

### 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)

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	4.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4

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### About Acuite Ratings & Research:

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