

Press Release

Moldwell Products India Private Limited

August 26, 2020

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.8.93 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-' (read as ACUITE double B minus)** on the Rs.8.93 crore bank facilities of Moldwell Products India Private Limited (MPIPL). The outlook is '**Stable**'.

Incorporated in the year 2008, MPIPL is engaged primarily in the manufacturing of industrial plastic parts, molds for plastic parts and plastic injection moulding machines for industrial use. The company is based in Coimbatore, Tamil Nadu. Initially established as a proprietorship firm in 1981 MPIPL was later reconstituted to 'Private Limited' company in 2008. The products manufactured by the company are used in textile, automobile segments, among others. The company is promoted by Mr. Soundararaj and family.

Analytical Approach

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

Key Rating Drivers

Strengths

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

MPIPL is engaged primarily in the manufacturing of industrial plastic parts, molds for plastic parts and plastic injection molding machines for industrial use for more than three decades. The company is promoted by Mr. Soundararaj and Ms. Geetha who have more than three decades of in the same line of business. The top management is ably supported by a well-qualified and experienced team of the second line of management. Extensive experience of the management is reflected in the network of clients such as Texmo Industries Limited, Lakshmi Machine Works Limited, Kirloskar Toyoda Textile Machinery Limited, among others.

Acuite believes that MPIPL will continue to benefit from the promoter's established presence in the textile industry over the medium term

- **Moderate financial risk profile**

MPIPL's financial risk profile of the company is moderate, marked by moderate gearing (Debt-Equity) and total outside liabilities to total net worth (TOL/TNW), comfortable debt protection metrics though constrained by modest net worth. Gearing and TOL/TNW are moderate at 0.64 times and 0.82 times as of March 31, 2020 (provisional) as against 1.08 and 1.67 times as on 31 March, 2019 respectively. The net worth is modest at Rs.13.60 crore as on 31 March 2020 (Provisional) as against Rs.9.39 crore as on 31 March, 2019. The debt of Rs.8.76 crore mainly consists of term loans of Rs.4.00 crore, unsecured loans from promoters Rs.1.52 crore and working capital borrowings of Rs.2.81 crore as on 31 March, 2020 (Provisional). Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 2.88 times and 0.32 times in FY2020 (Provisional) as against 3.87 times and 0.25 times in FY2019 respectively. The cash accruals are about Rs.2.83 crores in FY2020 (provisional) against Rs.2.51 crore in FY2019. Acuite believes the financial risk profile of the company will continue to remain moderate on account of conservative financial policy.

Weaknesses

- **Working capital intensive nature of operations**

MPIPL's operations are working capital intensive in nature as reflected in its gross current assets (GCA) of 123 days in FY2020 (Provisional) as against 154 days in FY2019. The high GCA days emanates from high debtor days of 59 days for FY2020 (Provisional) as compared to 105 days for FY2019. The inventory days stood at 35 days for FY2020 (Provisional) as compared to 36 days for FY2019. This has led to a reliance on the working capital borrowings, for which the utilisation was more than 80 percent for the past six months ended July 2020. These are partially offset by moderate creditor days of 51 days for FY2020 (Provisional).

Acuite believes that the working capital cycle will continue to be intensive over the medium term.

• **Highly fragmented and competitive industry**

The company operates in a highly fragmented industry with the limited entry of barriers wherein the presence of a large number of players in the unorganised sector limits the bargaining power with customers.

Liquidity position: Adequate

MPIPL has an adequate liquidity position marked by healthy cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.31-2.83 crore during the last three years through FY2018-FY2020, while its maturing debt obligations were in the range of Rs.1.95-2.30 crore over the same period. The operations are working capital intensive marked by Gross Current Asset (GCA) of 123 days in FY2020 (Provisional) compared to 154 days in FY2019. The average working capital limits utilisation stood at more than 80 percent for the past six months ended July 2020. The current ratio stood at 1.68 times as on March 31, 2020 (Provisional). Acuite believes that going forward; the liquidity position of the company will continue to remain adequate in the medium term.

Rating Sensitivities

- Lower-than-expected revenues and profitability impacting financial risk profile
- Stretch in the working capital cycle or significant debt-funded capital expenditure leading to deterioration in liquidity

Material Covenants

None

Outlook: Stable

Acuite believes MPIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profitability, maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	32.22	32.22
PAT	Rs. Cr.	1.21	0.17
PAT Margin	(%)	3.75	0.52
Total Debt/Tangible Net Worth	Times	0.64	1.08
PBDIT/Interest	Times	2.88	3.87

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
04-June-2019	Term Loans	Long Term	8.93	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. Crore)	Ratings/Outlook
Term Loan	April-2017	Not Applicable	April-2025	3.18 (Revised from Rs.8.93 Cr)	ACUITE BB-/Stable (Reaffirmed)
Term Loan	March-2020	Not Applicable	March-2024	1.00	ACUITE BB-/Stable (Assigned)
Term Loan	August-2020	Not Applicable	August-2022	0.80	ACUITE BB-/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE BB-/Stable (Assigned)

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About Acuité Ratings & Research:

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