

Press Release

Moldwell Products India Private Limited

April 27, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.93 Cr.
Long Term Rating	ACUITE BB- (Reaffirmed & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.8.93 crore bank facilities of Moldwell Products India Private Limited. The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from banker.

About the company

Established in the year 1981 as a proprietorship firm, Moldwell products India Private Limited is engaged in manufacturing of Industrial Plastic parts, Molds for plastic parts and Plastic Injection Moulding Machines for industrial use. The products manufactured by the company are used in textile, automobile segments among others. Later in the year 2008 initially established in 1981 as a proprietorship firm converted to 'Private Limited' company in 2008. The company is promoted by Mr. Soundararaj and family.

Analytical Approach

Acuité has considered standalone business and financial risk profile of MPIPL to arrive at the 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. Acuité 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**

The financial risk profile of the company remained moderate with moderate capital structure and debt protection metrics. Networth of the company stood at Rs.10.29 Cr as on March 31, 2020 as against Rs.9.39 Cr as on March 31, 2019. Gearing stood at 0.79 times and 1.08 times as on March 31, 2020 and 2019 respectively. Debt protection metrics Interest coverage ratio stood at 5.00 times and 3.87 times for FY2020 and FY2019 respectively. Debt service coverage ratio stood at 0.94 times and 0.82 times as on March 31, 2020 and 2019 respectively. TOL/TNW stood at 1.15 times and 1.67 times as on March 31, 2020 and 2019 respectively. Acuité believes that financial risk profile of the company expected to remain moderate over the medium term.

Weaknesses

- **Moderate working capital management**

The working capital management of the company remained moderate with moderate Gross Current Assets (GCA) days at 125 days as on March 31, 2020 as against 154 days as on March 31, 2019. The debtor days stood at 79 days and 105 days as on March 31, 2020 and 2019 respectively. Inventory days stood at 34 days and 36 days as on March 31, 2020 and 2019 respectively. Working capital limits are 85 percent utilized for the last six months ended February 2021. Acuité believes that working capital management of the company expected to remain moderate over the medium term.

- **Intense competition and highly fragmented**

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.

Rating Sensitivities

- Any decline in revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Liquidity Position: Stretched

The liquidity position of the company remained stretched with insufficient net cash accruals to service debt obligations. The cash accruals stood at Rs.2.96 Cr for FY2020 as against repayment obligation of Rs.3.19 Cr for the same period. The shortfall is met through promoters' funds and company has availed covid-19 moratorium benefit. The current ratio stood at 1.12 times as on March 31, 2020. The cash and bank balance stood at Rs.0.10 Cr as on March 31, 2020. Acuité believes that the liquidity profile expected to improve, supported by accruals and moderate working capital management.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	32.48	32.22
PAT	Rs. Cr.	0.89	0.17
PAT Margin	(%)	2.75	0.52
Total Debt/Tangible Net Worth	Times	0.79	1.08
PBDIT/Interest	Times	5.00	3.87

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

None

Any Material Covenants

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
04-June-2019	Term Loans	Long Term	8.93	ACUITE BB-/Stable (Assigned)
26-Aug-2020	Term Loan	Long Term	3.18	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.80	ACUITE BB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	3.95	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
Term Loan	Apr 2017	10.00	Apr 2025	3.18	ACUITE BB- (Reaffirmed & Withdrawn)
Term Loan	Mar 2020	10.00	Mar 2024	1.00	ACUITE BB- (Reaffirmed & Withdrawn)
Term Loan	Aug 2020	10.00	Aug 2022	0.80	ACUITE BB- (Reaffirmed & Withdrawn)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE BB- (Reaffirmed & Withdrawn)

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About Acuité Ratings & Research:

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