

Press Release

Mantram Technofab Private Limited

August 06, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 22.00 crore bank facilities of **MANTRAM TECHNOFAB PRIVATE LIMITED (MTPL)**. The outlook is '**Stable**'.

MTPL is a joint venture between the Rajpal family representing Manjeet Group and the Agarwal family of Sendhwa. Incorporated in 2010 MTPL is engaged in manufacturing of high density polyethylene (HDPE)/polypropylene (PP) woven fabrics and sacks. The company has an installed capacity of 4500 MTPA at its existing location which is ~ 75 per cent utilized.

About the Group

Manjeet Cotton Private Limited (MCPL) is the flagship company of the Manjeet group of companies promoted by Mr. Bhupendra Rajpal, Mr. Rajendra Rajpal and Mr. Sanchit Rajpal. MCPL was incorporated in 2005 as a private limited company to consolidate the existing businesses of other group companies which were operational since 1982. It is engaged in cotton ginning, trading, export and extraction of cotton seed oil. MCPL has manufacturing units at 18 cities located in the states of Madhya Pradesh, Maharashtra, Karnataka, Telangana, Odisha and Rajasthan with an annual ginning capacity of 6500000 quintals.

Analytical Approach

Acuité has considered standalone financial and business risk profile of MTPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

MTPL has been promoted by Mr. Rajendra Singh Rajpal, Mr. Satish Goyal and Mr. Chetan Kumar Agrawal in 2010 as a joint initiative for manufacturing of HDPE woven fabrics and sacks. The management has been engaged in agricultural activities through various entities for more almost three decades. The vast experience and reputation of the promoters and promoter entities in the area have helped MTPL establish healthy relations with its customers and suppliers. Acuité believes that the extensive experience of the promoters will continue to benefit the operations of MTPL.

• Average financial risk profile

The financial risk profile of the company is marked by moderate net worth, gearing and comfortable debt protection metrics. The net worth stood at Rs.18.82 crore as on March 31, 2019 (which includes unsecured loans from promoters and relatives of Rs.7.64 crore treated as quasi equity) as compared to Rs.15.56 crore as on March 31, 2018. The total debt outstanding as on March 31, 2019 (Provisional) of Rs.15.12 crore comprises of Rs.1.80 crore of long term loans and Rs.13.32 crore of short term working capital borrowings. The gearing stood low at 0.80 times as on March 31, 2019 (Provisional) against 1.56 times as in March 31, 2018. Going ahead, Acuité believes that the company will be able to maintain the gearing in the range of 0.75- 1.00 time on account of healthy accretion of reserves over the years and absence of any major debt funded capex. The interest coverage ratio stood at 1.89 times for FY2019 (Provisional) against 1.68 times for FY2018. The DSCR stood at 1.00 time for FY2019 (Provisional) against 0.90 times for FY2018. The net cash accruals for FY2019 (Provisional) stood at Rs.2.39 crore. The Debt to EBITDA stood at 2.58 times as on March 31, 2019 (Provisional).

Acuité believes that the financial risk profile will continue to remain average on account of high reliance on external debt in the form of working capital borrowings. However Acuité draws comfort

from the liquidity support provided to MTPL by Manjeet Cotton Private Limited towards its repayment obligations.

Weaknesses

- **Working capital intensive nature of operations**

The operations of MTPL are working capital intensive marked by its gross current assets (GCA) of 186 days in FY2019 (Provisional) against 226 days in FY2018. The inventory holding period stood at 85 days in FY2019 (Provisional) against 98 days in FY2018. Further, the collection period stood high at 110 days in FY2019 (Provisional) against 123 days in FY2018. The company does not receive major credit from its suppliers which leads to a higher reliance on the external borrowings. The working capital borrowings generally remain fully utilized. Acuité believes efficient management of its working capital cycle will be critical for the company in order to maintain comfortable liquidity profile.

- **Intense market competition and exposure to fluctuations in raw material prices**

The company operates in a highly competitive and fragmented industry with several organized and unorganised players which may affect its profitability. Further, the price of raw material (granules), a crude oil derivative, is exposed to high volatilities thereby limiting the ability of the company to pass on the price fluctuations to its end customers.

Liquidity Position:

MTPL has stretched liquidity marked by net cash accruals to its maturing debt obligations. The net cash accruals of the company are estimated to remain around Rs.2.4 crore during FY 2019 (Provisional), while the repayment obligations are estimated to be around Rs.2.37 crore. The operations are working capital extensive marked by gross current asset (GCA) days of 186 in FY 2019 (Provisional). The cash credit limits are almost fully utilized. The current ratio stood at 1.50 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity is likely to remain moderate over the near to medium term in the absence of any major debt funded capex drawing. Acuité also draws comfort from the Letter of Comfort issued by Manjeet Cotton Private Limited towards the bank facilities of MTPL.

Outlook: Stable

Acuité believes that MTPL will maintain a 'Stable' outlook over the medium term on the back of vast promoter experience, well established presence of the group in the area and on-going support of the group to the company's liquidity. The outlook may be revised to 'Positive' in case the company is able to generate healthy revenues while maintaining its profitability and improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its working capital cycle, thereby impacting its liquidity or further deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	53.24	56.77	66.70
EBITDA	Rs. Cr.	5.86	7.21	8.01
PAT	Rs. Cr.	0.87	0.81	0.63
EBITDA Margin	(%)	11.01	12.71	12.01
PAT Margin	(%)	1.64	1.42	0.94
ROCE	(%)	11.67	12.92	12.91
Total Debt/Tangible Net Worth	Times	0.80	1.56	1.64
PBDIT/Interest	Times	1.89	1.68	1.64
Total Debt/PBDIT	Times	2.58	3.35	3.52
Gross Current Assets (Days)	Days	186	226	245

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

None

Any other information

Not Applicable

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	17.00*	ACUITE BB+ / Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BB+ / Stable
Proposed facility	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE BB+ / Stable

* LC of Rs. 5 crore as a sublimit of CC, EPC of Rs. 12 crore as a sublimit of CC, BG of Rs. 0.50 crore as a sublimit of CC.

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About Acuité Ratings & Research:

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