Press Release

Mantram Technofab Private Limited

August 24, 2020

Rating Withdrawn

Total Bank Facilities Rated*	Rs.22.00 Cr.
Long Term Rating	ACUITE BB+ (Withdrawn)

** Refer Annexure for details*

Rating Rationale

Acuité has withdrawn the long term rating of **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.22.00 Cr. bank facilities of Mantram Technofab Private Limited (MTPL).

The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating and on account of request received from the company and NOC received from the banker.

MTPL is a joint venture between the Rajpal family representing Manjeet Group and Agarwal family of Sendhwa. Incorporated in 2010 MTPL is engaged in manufacturing of high-density polyethylene (HDPE) / polypropylene (PP) woven fabrics and sacks.

Analytical Approach

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

Key Rating Drivers

Strengths

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

MTPL has been promoted by Mr. Rajendra Singh Rajpal, Mr. Satish Goyal and Mr. Chetan Kumar Agrawal 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.

- **Moderate 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.16.95 crore as on March 31, 2020 (Provisional), which includes quasi-equity of Rs.5.66 crore as compared to Rs.16.96 crore (including quasi-equity of Rs.6.51 crore) as on March 31, 2019. The total debt outstanding as on March 31, 2020 (Provisional) of Rs.17.46 crore comprises of a term loan of Rs.0.79 crore and Rs.16.68 crore of short term working capital borrowings. The gearing stood low at 1.03 times as on March 31, 2020 (Provisional) against 1.14 times as in March 31, 2019. The interest coverage ratio stood at 2.02 times for FY2020 (Provisional) against 1.78 times for FY2019. The DSCR stood at 1.24 time for FY2020 (Provisional) against 0.91 times for FY2011. The net cash accruals for FY2020 (Provisional) stood at Rs.2.00 crore. The Debt to EBITDA stood at 3.83 times for FY2020 (Provisional).

Weaknesses

- **Working capital intensive operations**

The operations of MTPL are working capital intensive marked by its gross current assets (GCA) of 239 days in FY2020 (Provisional) against 223 days in FY2019. The inventory holding period increased to 100 days in FY2020 (Provisional) from 78 days in FY2019. Further, the collection period stood high at 119 days in FY2020 (Provisional) against 118 days in FY2019. 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.

- **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 unorganized 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: Adequate

MTPL has adequate liquidity position since the net cash accruals of the company stood at Rs.2.00 crore as on March 31, 2020 (Provisional), while the company had paid off its repayment obligations. The operations are working capital extensive marked by Gross Current Asset (GCA) days of 239 as on March 31, 2020 (Provisional). The working capital limits are almost fully utilized. The current ratio stood at 1.31 times as on March 31, 2020 (Provisional.

Rating Sensitivities

None

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	57.95	50.98
PAT	Rs. Cr.	0.83	0.52
PAT Margin	(%)	1.43	1.03
Total Debt/Tangible Net Worth	Times	1.03	1.14
PBDIT/Interest	Times	2.02	1.78

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

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
06-Aug-2019	Cash Credit	Long term	17.00	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long term	1.80	ACUITE BB+ / Stable (Assigned)
	Proposed Bank Facility	Long term	3.20	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
Cash Credit	Not Applicable	11.55%	Not Applicable	17.00	ACUITE BB+ (Withdrawn)
Term Loan	Not Available	11.55%	Not Available	1.80	ACUITE BB+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE BB+ (Withdrawn)

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About Acuité Ratings & Research:

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