

Press Release

Moksha Thermoplastics Private Limited

August 10, 2020

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	23.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short term Bank Facilities	12.00	IVR A3 (IVR A Three)	Assigned
Total	35.00 (Thirty- Five Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Moksha Thermoplastics Private Limited (MTPL) derives comfort from long track record of promoters in industrial consumables business, comfortable financial risk profile, diverse clientele and presence in export market. These rating strengths are partially offset by small scale of operations, vulnerability to forex exchange rate and working capital intensive nature of operations.

Key Rating Sensitivities

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.
- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements could trigger the negative rating action.

Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of promoters in industrial consumables business

Moksha Thermoplastics Private Limited incorporated in year 1992 by Mr. Dilipbhai Shah for the trading activity in the industrial components and consumables mainly catering to the textile industry. Later, in year 1998 having vast experience in the business, second generation promoters led by Mr. Snehal Shah, Mr. Rajeev Shah, Ms. Avani Shah, and Ms. Deepa Shah shifted focus to manufacturing activity of plastic components and consumables through injection moulding process. MTPL's third generation management is led by Mr. Shreye Shah having masters in Electronics and robotics and Ms. Nirja Shah having masters in Industrial Engineering.

Comfortable financial risk profile

The financial risk profile of the company remained comfortable marked by its comfortable gearing ratio and healthy debt protection metrics. The debt profile of the company mainly comprised of term loans and working capital borrowings due to its working capital-intensive nature of operations. Moreover, the debt profile includes unsecured loans from the directors/promoters subordinated to bank facilities. Infomerics has considered the amount of subordinated unsecured loans of amount Rs. 16.00 crore from promoters as quasi equity and same has been reflected in the financial ratios. Overall gearing ratio stood moderate at 0.66x as on March 31, 2020. Further, total indebtedness of the company as reflected by TOL/ANW stood comfortable at 0.91x as on March 31, 2020. Moreover, the debt protection metrics of the company remained satisfactory with an interest coverage at 3.03x and total debt to GCA at 3.57 years in FY20.

Diverse clientele and presence in export market

MTPL is an established player in the industrial consumables market. Longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers and suppliers and withstand industry cycles. Further, MTPL has a well-diversified client base, reflected in the total income from top 10 customers which accounts to ~32% of total sales.

Press Release

Moreover, MTPL does not have any regional dependency as company receives around 80%-90% revenue from the domestic market across the country and rest from the exports to various foreign countries mainly Asian Countries.

Key Weaknesses

Small scale of operations

The company has a small scale of operation with a PAT of Rs. 3.27 crore on a total operating income of Rs. 76.63 crore in FY20. Small scale of operations restricts the financial flexibility of the company. However, the company has achieved a healthy growth in PAT margins at 4.25% in FY20 against 1.79% of FY19.

Vulnerability to forex exchange rate

MTPL procures around 5%-10% of its raw material from overseas which is about Rs. 7.18 crore for FY20. On the other hand, the generates revenue of around 10% to 15% from exports which stood around Rs. 11.26 crore in FY20. Due to presence of both imports and exports MTPL follows natural hedging policy to cover the forex risk leading to exposure of profits margins to foreign currency fluctuation risk. Further, for the unhedged portion company book forward contracts to mitigate forex risk.

Working capital intensive nature of operations

MTPL's operations are working capital intensive due to its moderate collection period and elongated inventory holding period consequently, the operating cycle of the firm remained elongated at 129 days in FY20. To fund its working capital requirements the firm is largely dependent on bank borrowings and consequently it has a moderate working capital limit utilization at ~82% in the past 12 months ended June, 2020. The firm's ability to manage further growth funding remains crucial for maintaining a comfortable liquidity position.

Press Release

Applicable Criteria:

Rating Methodology for Manufacturing Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by expected sufficient gross cash accruals to meet the debt obligations. MTPL has working capital intensive nature of business required to maintain Just in time inventory. Average working capital utilization for the last 12 months stood at around 82% reflecting marginal cushion to meet incremental requirements. Further, current ratio of the company stood at 1.31x as on March 31, 2020 imparting comfort for meeting its near-term liabilities.

About the Company

Moksha Thermoplastics Private Limited was incorporated in year 1992. MTPL is engaged in manufacturing of carriers in yarn industry manufactured through injection moulding with state-of-the-art automated and robotized manufacturing facility. The products of MTPL cater the demand of yarn manufacturing and textile dyeing industry.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	80.86	76.63
EBITDA	8.06	11.27
PAT	1.44	3.27
Total Debt	21.52	23.91
Tangible Net worth	16.31	19.59
EBITDA Margin (%)	9.97	14.71
PAT Margin (%)	1.79	4.25
Overall Gearing Ratio (x)	0.71	0.66

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	14.75	IVR BBB- / Stable	-	-	-
2.	Term loan	Long Term	8.25	IVR BBB- / Stable	-	-	-
3.	LC/BG	Short Term	8.00	IVR A3	-	-	-
4.	Forward Booking	Short Term	4.00	IVR A3			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik
 Tel: (011) 24655636
 Email: rmalik@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	14.75	IVR BBB- / Stable
Long Term Bank Facilities- Term loan	-	-	January, 2027	8.25	IVR BBB- / Stable
Short Term Bank Facilities- LC/BG				8.00	IVR A3
Short Term Bank Facilities- Forward Booking	-	-	-	4.00	IVR A3