M B Rubber Private Limited

May 05, 2022

Ratings

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Term Loan	3.97 (Increased from 1.81)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Short Term Non Fund Based Bank Facilities – Bank Guarantee	11.00 (Reduced from 20.00)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Short Term Non Fund Based Bank Facilities – Letter of Credit	6.00 (Increased from 5.00)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	**30.97 (Thirty Crore and Ninety Seven Lakhs Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings to the bank facilities of M B Rubber Private Limited continues to draw comfort from its experienced management and long track record of operations.
The rating also factors its above average financial risk profile and comfortable operating cycle. However, these rating strengths are partially offset by decline in scale of operations, thin margins, and intense competition from other units in the region of Uttar Pradesh.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with further improvement in debt protection metrics

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

Mr. Rakes Jain, Mr. Vipan Mehta and Mr. Pramod Jain are the three directors of the company. Mr. Rakesh Jain and Mr. Vipan Mehta have the experience of almost four decades of experience into the industry. Mr. Pramod Jain has over three decades of experience. The directors are being assisted by the team of experienced & qualified professionals. The experience of the management has helped the company to establish long term relationship with various customers and suppliers over a period of time.

Above Average Financial Risk Profile

The financial risk profile of the company is comfortable marked by its moderate adjusted tangible net worth base of INR27.37 crore as on March 31, 2021 (FY20: INR22.45 crore). The overall gearing stood comfortable at 1.07x as on March 31, 2021 (FY20: 1.09x). Total indebtedness of the firm as reflected by TOL/ATNW remained moderate and stands at 2.26x as on March 31,2021 (FY20: 4.23x).

Comfortable Operating Cycle

Cash conversion cycle remains comfortable at 48 days in FY21 (FY20: 40 days) which reflects lower reliance on working capital debt. The Company is able to fund its working capital requirement on the back of favourable market demand and able to stretch its payables which poses positive impact on cash flow. Although debtors are stretched due to higher credit period offered to government departments subsequently the company receives higher credit period from suppliers as well which leads to shorter mismatch in cash inflow and outflow.

Key Rating Weaknesses

Intense Competition

The footwear industry is highly fragmented with the presence of many established brands and a large number of unorganised players in the market. The company also faces intense competition from the online retail segment. Further, the company remains susceptible to continuous changes in manufacturing style & design and pricing from other shoe manufacturing units in the region of Uttar Pradesh. Thus, restricting their pricing power.

Decline in Scale of Operations

The Total Operating Income during FY21 is INR160.03 crore as against INR186.13 crore in FY20. MBRPL operations were affected due to COVID19 pandemic. Despite the decrease in total revenue, EBITDA has increased to INR8.09 crore in FY21 as against INR7.18 crore in FY20. PAT has also increased to INR3.36 crore in FY21 as against INR3.14 crore in FY20. This improvement in bottom line performance is the result of cost cutting strategies used by company during COVID19 period.

The decline in total operating income from ~INR186 crore (FY20) to ~INR160 crore (FY21) and to ~INR100 crore (FY22: estimated numbers) is due to COVID19 pandemic. As many schools were shut, demand for school bags and shoes reduced in the market. With overall situation returning to normal and company recalibrating its operations, standard performance is expected in upcoming years. However, MBRPL is also planning to expand its retail operations with its Ekta brand. At present, they are mainly catering to market areas in Uttar Pradesh and is an established player there. Now, company has also hired marketing personnel to fast-track their reach in other northern regions like Delhi-NCR, Punjab, Himachal Pradesh, and Uttarakhand.

MBRPL shared that to expand their scale of operations they do not have to necessarily incur CAPEX. They can do so by simply increasing the number of working shifts which will result in higher scale of production and thus, they are readily capable to expand their production cycle.

Thin Margins

The margins even though increased in FY21 as compared to last year performance, indicated by EBITDA margin of 5.05% in FY21 as against 3.86% in FY20 and PAT margin at 2.09% in FY21 as against 1.68% in FY20 but they remain thin. The improvement in these margins is the result of cost cutting strategies used by company during COVID19 period.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The company is expected to generate sufficient Cash Accruals against the future repayment obligation. Company's working capital limits are utilized to the extent of ~74% during the past 12 months ended February 2022 indicating sufficient liquidity buffer. The current ratio as on March 31, 2021, was 1.38x. The cash & cash equivalent is INR0.16 crore.

About the Company

M B Rubber Private Limited was incorporated in the year 1988. Company manufactures a wide variety of footwear including rubber, canvas wear, and hawai slippers. It also manufactures raincoats and school bags. The Company's plant is located in Sahibabad, Ghaziabad, Uttar Pradesh. The plant has installed capacity to manufacture 60 Lakhs pairs of footwear, 10 Lakhs pcs of school bags, 5 Lakhs pcs of raincoats and 10 Lakhs miscellaneous items.

Financials (Standalone):

(INR Crore)

For the year ended*/As on	31-Mar-2020	31-Mar-2021
	Audited	Audited
Total Income	186.86	160.34
EBITDA	7.18	8.09
PAT	3.14	3.36

Total Debt	17.18	20.59
Tangible Net Worth	15.80	19.16
EBIDTA Margin (%)	3.86	5.05
PAT Margin (%)	1.68	2.09
Overall Gearing Ratio (x)	1.09	1.07

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (March 25th, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	10.00	IVR BB+/ Stable	-	IVR BB+/ Stable	-
2.	Term Loan	Long Term	1.85	IVR BB+/ Stable	-	IVR BB+/ Stable	-
3.	Bank Guarantee	Short Term	1.28	IVR A4+	-	IVR A4+	-
4.	Letter of Credit	Short Term	0.84	IVR A4+	-	IVR A4+	-
	Total		**30.97**				

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Press Release

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	-	-	Revolving	10.00	IVR BB+/Stable
Long Term Fund Based Bank Facilities – Term Loan	-	-	2026	1.85	IVR BB+/Stable
Long Term Fund Based Bank Facilities – GECL	-	-	2024	1.28	IVR BB+/Stable
Long Term Fund Based Bank Facilities – GECL 1.0 Extension	-	-	2027	0.84	IVR BB+/Stable
Short Term Non Fund Based Bank Facilities – Bank Guarantee	-	-	Revolving	11.00	IVR A4+

Short Term Non Fund Based Bank Facilities – Letter of Credit	-	-	Revolving	6.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-MB-Rubber-May22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.