



## Press Release

### Multitex Filtration Engineers Limited

November 21, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	19.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	68.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>87.00 (Rupees Eighty-Seven Crore Only)</b>	<b>Rupees Eighty-Seven Crore Only.</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Multitex Filtration Engineers Limited factors in the experience of promoters with established track record of operations, reputed clientele, comfortable capital structure and moderate coverage indicators, varied product line with catering to diversified Industries and healthy order book reflecting near to medium-term revenue visibility.

The ratings, however, are constrained by moderate scale of operations, elongated working capital cycle and customer concentration risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Sustained improvement in operating cycle

##### Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.



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- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced Promoters with established track record of operations**

The promoters of the company have been in the industry for around three decades. They have successful operational track record in industry which has helped in establishing a healthy relationship with the customers as it has been getting regular repeat orders from its clients.

##### **Reputed Clientele**

Over the years of its operations, the company has established a strong business relationship with various reputed clients. It has undertaken services of plants for reputed clients, which include. Qatar Engineering & Construction Doha, Doha Petroleum Construction Co. Ltd, BHEL- Hyderabad, IOCL etc.

##### **Comfortable capital structure and moderate coverage indicators**

The capital structure of the company stood comfortable marked by overall gearing of 0.25x and TOL/TNW of 0.69x as on March 31, 2023. The interest coverage ratio stood moderate at 2.99 times in FY23 against 3.68x in FY22. The DSCR of the company also stood moderate at 1.76x in FY23 as against 1.28x in FY22. Total debt/GCA of company stands at 5.87 years in FY23 as compared to 9.35 years in FY22.

##### **Varied Product line with catering to diversified Industries**

MFEL provides solutions in various categories of pressure vessels; pipelines; filters and separators, oil & gas; energy systems and metering, etc which are used in diversified industries like petrochemical; power, oil & gas refineries; pharmaceuticals; chemicals and other industries. Thus, the top line is protected against slowdown in any particular industry.

##### **Healthy order book reflecting near to medium-term revenue visibility**



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MFEL has a healthy unexecuted order book of Rs.363.46 Crores as on 28th October 2023, which is about 4.00x of the total operating income reported in FY23. This indicates a near to medium term revenue visibility.

### Key Rating Weaknesses

#### Moderate scale of operations

The company had registered a steep decline in total operating income in FY22 to Rs. 71.04 crores due to halt in exports and delayed payments from the clientele as the latter were severely impacted by Covid-19 pandemic related restrictions against Rs.123.66 crores in FY21, however, the TOI improved to Rs. 90.60 crore in FY23 and expects significant increase in scale of operations in FY24 on y-o-y basis on account of expectation of higher execution of orders. The profitability margins, like EBITDA margin stood at 9.13% in FY23 as against 9.23% in FY22. However, PAT margin improved to 2.77% in FY23 as compared to 2.57%. The GCA of the company increased from Rs. 3.22 Crore in FY22 to Rs. 3.82 Crore in FY23 and current ratio has remained above unity at 2.26x in FY23.

#### Elongated Working Capital Cycle

MFEL'S operating cycle improved in FY23 as it stood at 254 days compared to 277 days in FY22 due to slight decrease in average collection period. However, inventory period increased from 156 days to 162 days.

#### Customer Concentration Risk

Around 92.68% turnover of the company in FY23 is contributed by its top 10 clients which depicts higher customer concentration risk for the company.

**Analytical Approach:** Standalone

#### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)



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### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. Its fund-based working capital limits remained moderately utilised at 69.95% during the past twelve months ended October 2023 and non-fund based working capital limits remained utilised at 73.10% during the past twelve months ended October 2023. The Current Ratio of the company stood at 2.26x as on March 31, 2023. The unencumbered cash and bank balance as on September 30, 2023 is Rs. 7.88 Crore. The cash operating cycle of the company is of 254 days in FY23 (277 days in FY22).

### **About the Company**

MFEL was originally incorporated in 1982, as a private limited company and reconstituted into a public limited company in 2001. It is engaged in designing and manufacturing filters, separators, and allied products. The company delivers tailor made application-oriented products, packages, and filtration solutions to industries like Oil and Gas, Power, Petrochemicals, Refineries, Pipelines, Defence, Nuclear Energy, Fertilizers, LNG, Ports & Terminals. The company has its offices at India, USA, Abu Dhabi, Dubai, and Iraq.

### **Financials (Standalone):**

<b>For the year ended/As on*</b>	<b>30-03-2022</b>	<b>31-03-2023</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	71.85	90.60
EBITDA	6.67	8.27
PAT	1.85	2.51
Total Debt	30.13	22.41
Tangible Net Worth	87.79	90.26
<b>Ratios</b>		
EBITDA Margin (%)	9.29	9.13
PAT Margin (%)	2.57	2.77
Overall Gearing Ratio (x)	0.34	0.25

\*Classification as per Infomerics' standards

### **Status of non-cooperation with previous CRA:**

India Ratings vide its press release dated September 18, 2023 has continued to classify the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.



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**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 31, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-20
1.	Cash Credit	Long Term	8.20*	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2.	OCC/OBBD	Long Term	10.80	IVR BBB-/Stable	IVR BBB-/Stable	-	-
3.	LCs/BGs	Short Term	68.00	IVR A3	IVR A3	-	-

*\*Includes proposed cash credit of Rs.1.00 crore*

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### **About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### 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 Facility- Cash Credit	-	-	-	7.20	IVR BBB-/Stable
Long Term Bank Facility- Proposed Cash Credit	-	-	-	1.00	IVR BBB-/Stable
Long Term Bank Facility- OCC/ODBD	-	-	-	10.80	IVR BBB-/Stable
Short Term Bank Facility- LCs/BGs	-	-	-	68.00	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Multitex-nov23.pdf>

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



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**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](http://www.infomerics.com).

