Press Release

Multitex Filtration Engineers Limited

August 31, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	19.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	68.00	IVR A3 (IVR A three)	Assigned	Simple
Total	**87.00 (INR Eighty-Seven crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

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. However, the rating is 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.
- 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 0.35x and TOL/TNW of 0.63x as on March 31, 2022(P). The interest coverage ratio stood moderate at 2.62 times in FY22(P) against 2.42x in FY21. The DSCR of the company also stood moderate at 1.31x in FY22(P) as against 0.93x in FY21. Total debt/GCA of company stands at 9.50 years in FY22(P) as compared to 17.79 years in FY21.

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

MFEL has a healthy unexecuted order book of Rs.280.00 Crores as on July 15, 2022, which is about 4.00x of the total operating income reported in FY22(P). This indicates a near to medium term revenue visibility.

Key Rating Weaknesses

Moderate scale of operations

The company has registered a steep decline in total operating income in FY22(P) to Rs. 71.04 crores against Rs.123.66 crores in FY21 and Rs.179.32 crore in FY20. The decline in total operating income was on account of cautious approach adopted by the company due to delayed payments from the clientele as the latter were severely impacted by Covid-19 pandemic related restrictions. The decline was also on account of halt in Exports which contributed ~60% to its turnover. The company strategically decided to slow down its operations on account of restricted cash inflow on account of delayed payments from clients, which could have otherwise led to sharp rise in debtors and ultimately could have led to liquidity crunch. The company has reported turnover of Rs.18.29 crore in Q1FY23 as against Rs.5.42 crore in Q1FY22 and expects significant increase in scale of operations in FY23 on y-o-y basis on account of expectation of higher execution of orders. However, operating profit margin of the company improved by 64 bps to 9.09% in FY22(P) as compared to 8.45% in FY21. Also, the PAT margin improved significantly to 2.81% in FY2022(P) from 0.73% in FY2021. The GCA of the company improved to Rs.3.24 crores in FY22(P) against Rs. 2.10 crores in FY21.

Elongated Working Capital Cycle

MFEL'S operating cycle further elongated in FY22(P) as it stood at 291 days compared to 170 days in FY21 due to increase in average collection period and inventory period with a decline in scale of operations in FY22.

Customer Concentration Risk

Around 65% turnover of the company in FY22 is contributed by its top 5 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 for assigning rating outlook](#)

Liquidity: Adequate

The liquidity of the company is adequate marked by unencumbered cash and bank balance of Rs.27.00 crore as on March 31, 2022. The same is expected to remain adequate as the company expects sufficient cushion in its cash accruals vis-à-vis debt repayments during FY23-25. Also, the company's current ratio stood at 2.56x as on March 31, 2022. Further, the utilization of working capital limits of company stood moderate at ~63% during past 12 months ended June 2022.

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) **(Rs. crore)**

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	123.66	71.04
EBITDA	10.45	6.46
PAT	0.90	1.99
Total Debt	37.32	30.80
Tangible Net worth	85.94	87.94
EBITDA Margin (%)	8.45	9.09
PAT Margin (%)	0.73	2.81
Overall Gearing Ratio (x)	0.43	0.35
Interest Coverage Ratio (x)	2.42	2.62

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	8.20*	IVR BBB-/ Stable	-	-	-
2.	OCC/ODBD	Long Term	10.80	IVR BBB-/ Stable	-	-	-
8.	Letter of Credit	Short Term	13.00	IVR A3	-	-	-
9.	Bank Guarantee	Short Term	55.00	IVR A3	-	-	-

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

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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).

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

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	7.20	IVR BBB-/ Stable
OCC/ODBD	-	-	-	10.80	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	1.00	IVR BBB-/ Stable
Letter of Credit- I	-	-	-	7.80	IVR A3
Letter of Credit- II	-	-	-	5.20	IVR A3
Bank Guarantee - I	-	-	-	33.00	IVR A3
Bank Guarantee - II	-	-	-	22.00	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-Filtration-aug22.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.