



Press Release

M B Rubber Private Limited

March 25, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	11.81	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	25.00	IVR A4+ (IVR A Four Plus)	Assigned
	Total	36.81		

Details of Facilities are in Annexure 1

Detailed Rationale

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

Key Rating Sensitivities:

Upward Factor:

- ✓ 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 factor:

- ✓ 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.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

Mr. Rakesh Jain, Mr. Vipin Mehta and Mr. Pramod Jain are the three directors of the company. Mr. Rakesh Jain and Mr. Vipin Mehta have the experience of almost four decades of experience into the industry. Mr. Pramod Jain has over three decades of experience. The experience of the management has helped the company to establish long term relationship with various customers and suppliers over a period of time.

Increase in Scale of Operations

The Scale of operations is increasing continuously over the last 3 years. Total Operating Income increased from Rs.128.17 Crores in FY18 to Rs.168.16 Crores in FY19. It increased further to Rs.186.13 Crores in FY20. EBITDA increased to Rs.7.18 Crores in FY20 as against Rs.6.71 Crores in FY19. PAT increased to Rs.3.14 Crores in FY20 as against Rs.2.54 Crores in FY19.

Above Average Financial Risk Profile

The financial risk profile of the company is comfortable marked by Tangible Net worth of Rs.15.80 Crores in FY20 as against Rs.12.67 Crores in FY19. The Overall gearing improved to 1.09x in FY20 as against 1.52x in FY19. The debt protection metrics is above average marked by ISCR & DSCR of 3.06x & 2.67x in FY20 as against 2.82x & 2.45x in FY19. Although TOL/TNW stands at 6.43x in FY20 but this is high due to additional debt availed for capital expenditure.

Comfortable Operating Cycle

Cash conversion cycle remains comfortable at 40 days in FY20 (PY 24 days) which reflects lower reliance on working capital debt. The Company is able to fund its working capital requirement on the back of favorable 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.



Press Release

Key Rating Weaknesses

Thin Margins

The margins remained thin over the last 2 years as indicated by EBITDA margin of 3.86% in FY20 as against 3.99% in FY19. PAT margins stood at 1.68% in FY20 as against 1.51% in FY19.

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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has adequate liquidity as seen by expected Gross Cash Accruals of ~ Rs.4.00 Crores in FY21 as against current maturities of long term borrowings amounting to Rs.2.28 Crores as on March 31, 2020. Company's working capital limits are utilized to the extent of ~60% during the past 10 months ended February, 2021 indicating sufficient liquidity buffer. The current ratio was 1.35x as on March 31, 2020.



Press Release

About the Entity

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 rain coats and school bags. The Company's plant is located in Sahibabad, Ghaziabad, Uttar Pradesh. The plant has installed capacity to manufacture 80 Lakhs pairs of footwear, 5 Lakhs pcs of school bags and 20000 pcs of rain coats.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	168.16	186.13
EBITDA	6.71	7.18
PAT	2.54	3.14
Total Debt	19.29	17.18
Tangible Net worth	12.67	15.80
EBITDA Margin (%)	3.99	3.86
PAT Margin (%)	1.51	1.68
Overall Gearing Ratio (x) on Book TNW	1.52	1.09

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

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	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	-	-	-
2.	Term Loan	Long Term	1.81	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	-	-	-



Press Release

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
3.	Letter of Credit	Short Term	5.00	IVR A4+ (IVR A Four Plus)	-	-	-
4.	Bank Guarantee	Short Term	20.00	IVR A4+ (IVR A Four Plus)			

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. Deepak Kumar

Tel: (011) 24601142

Email: deepak.kumar@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	-	-	-	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Long Term Bank Facilities -Term Loan	-	-	-	1.81	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Short Term Bank Facilities –Bank Guarantee	-	-	-	20.00	IVR A4+ (IVR A Four Plus)
Short Term Bank Facilities -Letter of Credit	-	-	-	5.00	IVR A4+ (IVR A Four Plus)

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/MB-Rubber-lenders-25mar21.pdf>