CareEdge RATINGS

Mathura Extractions

November 04, 2022

Rating

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**15.00 (₹ Fifteen Crore Only)**		

Details of facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the ratings to the bank facilities of Mathura Extractions (MTE) continues to remain constrained on account of moderate scale of operations, low profitability margins, moderate capital structure and debt coverage indicators. The rating is also tempered on account of vulnerability of margins due to presence in the highly volatile agro-commodity business coupled with presence in highly competitive, fragmented industry and partnership nature of business leading to limited financial flexibility.

The rating, however, draws support from experienced partners along with long track record of operations of entity, locational advantage emanating from proximity to raw material and adequate liquidity position.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in total operating income over Rs.250 crore on sustained basis
- Improvement in PBILDT and PAT margins to more than 5% and 3% respectively on a sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in TOI, profitability margins on a sustained basis
- Deterioration in liquidity profile on account of delay in debtors realization/inventory pileup resulting into operating cycle going above 35 days on a sustained basis

Detailed description of the key rating drivers

Key rating weaknesses

Moderate scale of operations and low profitability margins with low net worth base:

The entity derives its major revenue (approx. 99% for FY22) from sales of soya oil (Crude) and Soya de-oiled cake. The remaining part of the revenue is from trading of cotton seed and cotton oil cake. The scale of operations marked by Total Operating Income (TOI) has slightly deteriorated to Rs.187.16 crore for FY22 vis-à-vis Rs.194.10 crore for FY21. The lower revenue was primarily attributable to decrease in volume of products sold in FY22. MTE reported a TOI of Rs.100 core during H1FY23. Furthermore, the net-worth base of entity continues to remain low at Rs.8.65 crore as on March 31, 2022. The low net worth base coupled with moderate scale of operations restricts its financial flexibility in times of stress and deprives it of scale benefits. The profitability margins of MTE marked by PBILDT margin declined to 1.76% for FY22 as against 2.43% for FY21, primarily led by increased employee cost (Rs.1.87 crore in FY22 as against Rs. 0.68 crore in FY21) along with higher raw material prices. The PAT margin of the company deteriorated to 1.40% in FY22 from 2.14% in FY21.

Moderate capital structure and debt coverage indicators:

As on March 31, 2022, the total debt of MTE amounted to Rs. 5.45 crore. The debt comprised of working capital borrowings of Rs. 3.90 crore and unsecured loans of Rs.1.56 crore. Furthermore, the net-worth base of company improved from Rs.7.69 crore to Rs. 8.65 crores, as on March 31, 2022, however, continues to remain modest. Although, the overall gearing deteriorated to 0.63x as on March 31, 2022(PY:0.21x as on March 31, 2021), however, continue to remain at comfortable levels. The debt coverage indicators of MTE deteriorated during FY22 on account of deteriorated gearing levels coupled with deterioration of debt profile. The interest coverage ratio deteriorated to 8.47x for FY22(as against 12.50x in FY21) however total debt to GCA moderated to 1.88x as at the end of FY22 (as compared to 0.36x as at the end of FY21).

Vulnerability of margins to presence in the highly volatile agro-commodity business:

The crop availability is subjected to agro-climatic vagaries and cropping pattern. Hence, margins of the entity are vulnerable to seasonal conditions and might impact the overall operations of the firm. Furthermore, prices of raw materials are subject to

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Minimum Support Price (MSP) and incentives offered by Government of India (GOI). Any increase in the seed prices without a corresponding increase in de-oiled cake and edible crude oil prices will adversely impact ME's profitability margins.

Presence in highly competitive and fragmented industry:
The edible oil industry in India is characterized by a high degree of competition, resulting from high fragmentation due to the low entry barriers and low capital intensity of the business.

Partnership constitution of the entity:
MTE being a partnership entity, the risks associated with withdrawal of partners' capital exists. The firm is exposed to inherent risk of partner's capital being withdrawn at time of personal contingency.

Key rating strengths
Long track record of operations and extensive experience of the promoters in the soya bean industry:
MTE has been involved in the business of soya bean extraction for over three decades and has sound base in solvent extraction industry. The long track record of operations of MTE is likely to aid it in long run. Mr. Uday Katruwar (BE-Production) looks after overall management of the business operations, has an extensive experience in oil extraction, of more than three decades, and looks after the overall operations of the firm. Furthermore, the experience of promoter is likely to aid MTE in long run.

Proximity to raw material sources:
MTE has its extraction plant located at Parbhani (in central Maharashtra). Maharashtra is one of the leading states in the country for cultivation of the soya crop. Hence, raw material availability is available in abundance and entity is likely to be benefitted in times ahead.

Liquidity: Adequate
Liquidity of MTE is adequate characterized by nil scheduled repayment obligations against modest cash balance of Rs.0.53 crore on March 31, 2022. Further, the operating cycle of MTE slightly moderated and stood at 14 days in FY22 against 10 days in FY21. The deterioration was on account of deterioration in inventory holding period from 1 days in FY21 to 4 days in FY22 and on absolute terms inventory increased from Rs.0.25 crore to Rs.4.25 crore. The creditor period and collection period of MTE stood at 12 and 22 days in FY22 against 11 and 21 days in FY21. The working capital requirements are met by the cash credit limit of Rs.15.00 crore. As confirmed by the banker the utilization remains full in seasonal period with no overdrawals and on off-season utilization level is nil.

Analytical approach: Standalone

Applicable criteria
Policy on default recognition
Liquidity Analysis of Non-financial sector entities
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Financial ratios – Non-Financial Sector
Rating Methodology- Manufacturing Companies

About the company
Established in 1988, Mathura Extractions (MTE), is a family-owned business engaged in the manufacturing/ extraction soya oil (Crude), Soya de-oiled cake from soyabean seeds (contributing to 67% of TOI for FY22) and is also engaged in trading of cotton seed and cotton oil cake. The firm uses solvent extraction method and uses Hexane to extract soybean oil. The installed crushing capacity is at 250 Tonnes per day. Further, MTE sells soya oil to oil refining companies and Soya De-Oiled-Cake (DOC) primarily to poultry farms. The entity has a manufacturing facility and controlling office located in Parbhani, Maharashtra.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (P)
Total operating income	194.10	187.16	100.00
PBILDT	4.72	3.29	NA
PAT	4.15	2.62	NA
Overall gearing (times)	0.21	0.63	NA
Interest coverage (times)	12.50	8.47	NA

A: Audited, P: Provisional, NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated facilities: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various facilities rated for this company: Annexure-4

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable (16-Mar-22)	1)CARE BB; Stable (25-Mar-21)	1)CARE BB; Stable (18-Feb-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated facilities: Nil

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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