

## Matangi Industries LLP

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	127.34 (Enhanced from 113.64)	CARE BBB+; Negative	Reaffirmed
Long Term / Short Term Bank Facilities	56.00 (Enhanced from 44.50)	CARE BBB+; Negative / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Matangi Industries LLP (MIL) continue to derive strength from long standing experience of partners in the chemical industry, moderate scale of operations, diversified clientele and product offerings as well as ability to undertake custom synthesis of products for niche applications and its moderate capital structure.

The ratings are, however, constrained by its moderate profitability which is susceptible to raw material price volatility as well as foreign exchange fluctuation, moderate debt coverage indicators, partnership nature of constitution and its presence in an industry with strict compliance required to pollution control norms.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in its scale of operations with total operating income (TOI) of more than Rs.500 crore and tangible net worth greater than Rs.200 crore along with earning PBILDT margin of 15% on a sustained basis
- Improvement in capital structure with overall gearing below 0.50 times on sustained basis

#### Negative factors

- Decline in scale of operations below Rs.300 crore or PBILDT margin below 7% on sustained basis
- Significant withdrawal of capital or any increased reliance on debt resulting in overall gearing above 1.3x on sustained basis along with deterioration in debt coverage indicators
- Any tightening of prevailing pollution control/ environmental norms and/or regulatory ban on production & sales of certain major products thereby significantly impacting its business and profitability

### Analytical approach: Standalone

#### Outlook: Negative

The outlook assigned to the bank facilities of MIL remains 'Negative' on account of expectation of lower-than-envisaged profitability in FY25 on the back of volatile raw material prices and challenging industry environment impacting its debt coverage indicators. The outlook maybe revised to 'Stable' if the firm registers profitability in FY25 in line with that envisaged, resulting in improvement in its debt coverage indicators.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced partners

Mr Ruchit Jani, the designated partner of MIL, has done his M. Sc. in Chemical Engineering from Brunel University, London and has been instrumental in the growth of the firm since he joined the firm in 2007. He looks after overall business operations. Under his leadership, the firm had initiated performance chemical division (POC) division, and its total operating income (TOI) has been growing continuously. Apart from Mr. Jani and his family members who own 50% stake in the firm, balance 50% stake in the firm is held by the promoters / relatives of Meghmani group, one of the leading players in chemical industry in India.

#### Diversified clientele and product offerings with ability to custom synthesis the products for niche application

MIL has a portfolio of 200+ products and is exporting to over 40 countries; whereby top 10 customers contributed 54% of TOI in FY24 which include reputed chemical companies. Apart from manufacturing POC, the firm is also engaged in custom synthesis wherein the firm has capabilities to conduct different chemical reactions to provide tailored products to meet specific requirements of customers which helps its clients to reduce go-to-market time. It helps the firm to cater to niche demand from customers and helps the customers to develop new product and conduct pilot testing for new products. Currently, the firm has shifted focus on performance and speciality chemicals and has discontinued production of VS (Vinyl Sulphone).

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Moderate scale of operations**

MIL's total operating income (TOI) registered y-o-y growth of 10% and stood at Rs.449.70 crore in FY24 (Rs.409.93 crore in FY23). While the growth was driven by growth in sales volume of 34% y-o-y, sales realization moderated by 20% in FY24. In 8MFY25, MIL registered sales of Rs.305.18 crore.

**Moderate capital structure albeit moderation in debt coverage indicators**

Capital structure of MIL continued to remain moderate marked by overall gearing of 1.07x as on March 31, 2024 (P.Y: 0.94x). The moderation in overall gearing was mainly due to higher utilization of working capital limits. Additionally, networth of MIL stood moderate at Rs. 95.94 crore at FY24 end. With decline in profitability, debt coverage indicators moderated in FY24 marked by PBILDT interest coverage of 2.79x (P.Y: 7.99x) and TDGCA of 4.64x (P.Y: 2.99x). However, interest coverage improved to 5.22x in 8MFY25.

**Key weaknesses****Moderate profitability which is susceptible to volatility in raw material prices & foreign exchange fluctuation**

MIL's profitability has remained moderate in range of 8-10% till FY23. In FY24, PBILDT margin declined to 3.89% mainly due to volatile input prices, lower sales of high margin product and higher freight cost on the back of red sea crisis which MIL was not able to pass on to its customers. In the current year, with stabilization of raw material prices and revised terms with customers to pass on any major increment in freight cost, PBILDT margin recouped to 8% in 8MFY25. Profitability is expected to normalize and going forward it is expected to increase backed by envisaged traction in demand for newly added higher margin products.

The key raw materials used by MIL are derivatives of crude oil. The price of crude oil is affected by factors like global demand, global production, geopolitical factors, and government regulations and hence it tends to remain highly volatile. Any sharp volatility in crude oil price can have an impact on the firm's profitability due to presence in competitive industry wherein pricing power is limited. Furthermore, MIL procures a certain portion of its raw materials through imports. During FY24, against its imports MIL has made exports of around Rs.217 crore, thus providing a natural hedge to its foreign currency exposure to certain extent. In absence of any formal hedging policy, for balance exposure, any sudden change in exchange rates can have an impact on its profitability.

**Stricter regulatory landscape pertaining to pollution control norms**

There is stringent pollution control regulation laid down for chemical processing units under the Gujarat Pollution Control Board (GPCB) norms. The company during its production process generates polluted water and air that needs to be treated before their disposal. However, the company has been complying with the required pollution control norms. MIL is a member of Common Effluent Treatment Plant (CETP) wherein it can discharge treated effluent of 150KL/ day, a member of NOVEL Spent Acid Management facility (NSAM) where it can dispose 1200 MT/ month of industrial waste and a member of other common spray drying facilities with discharge facility of 60KL/ day. Also, the firm has spent acid neutralization facility of 100KL/ day for converting hazardous waste into Gypsum and selling it to cement industry apart from spray drying facility of 100 KL/ day for highly concentrated effluent. Although, the firm has been complying with the required pollution control norms, any non-compliance or change in norms may have an impact on the operations of the firm.

**Liquidity: Adequate**

MIL had adequate liquidity marked by moderate utilization of working capital limits, sufficient cash accruals to meet term debt obligation and a moderate operating cycle.

Average utilization of working capital limits remained moderate at 66% for the trailing twelve months ended November 2024. Also, operating cycle remained moderate at 61 days in FY24 (P.Y: 40 days). The elongation in operating cycle was on the back of increase in collection period with higher sales in Q4FY24 resulting in increase in receivables outstanding as on March 31, 2024. The same also led to negative cash flow from operations of Rs.26.29 crore in FY24. The firm is comfortably placed to service its principal term debt repayment with envisaged cash accruals of more than Rs. 22 crore in FY25 vis-à-vis repayment obligations in range of Rs. 4-7 crore in the next 3 years.

**Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Specialty Chemicals

Incorporated in 1993, Matangi Industries LLP (LID - AAC-8572) is a limited liability partnership firm established by Late Mr. Suryakant Jani to manufacture Vinyl Sulphone (VS) with a capacity of 1,800 metric tonne per annum (MTPA). In 2007, Mr. Ruchit Jani, son of Late Mr Suryakant Jani, joined the firm and initiated performance chemicals division (POC) in 2009 with a capacity of 6,000 MTPA. As on November 31, 2024, MIL has installed capacity of 3,600 MTPA for dye intermediates and 54,000 MTPA for performance chemicals at its manufacturing facility at GIDC, Vatva.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	409.93	449.70	305.18
PBILDT	37.92	17.50	24.64
PAT	13.45	10.98	7.57
Overall gearing (times)	0.94	1.07	NA
Interest coverage (times)	7.99	2.79	5.22

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	107.00	CARE BBB+; Negative
Fund-based - LT-Term Loan		-	-	12-07-2028	20.34	CARE BBB+; Negative
Non-fund-based - LT/ ST-BG/LC		-	-	-	55.00	CARE BBB+; Negative / CARE A2
Non-fund-based - LT/ ST-Derivative Limits		-	-	-	1.00	CARE BBB+; Negative / CARE A2

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	20.34	CARE BBB+; Negative	-	1)CARE BBB+; Negative (05-Jan-24)	1)CARE BBB+; Stable (01-Feb-23)	1)CARE BBB+; Stable (21-Dec-21)
2	Fund-based - LT-Cash Credit	LT	107.00	CARE BBB+; Negative	-	1)CARE BBB+; Negative (05-Jan-24)	1)CARE BBB+; Stable (01-Feb-23)	1)CARE BBB+; Stable (21-Dec-21)
3	Non-fund-based - LT/ ST-Derivative Limits	LT/ST	1.00	CARE BBB+; Negative / CARE A2	-	1)CARE BBB+; Negative / CARE A2 (05-Jan-24)	1)CARE BBB+; Stable / CARE A2 (01-Feb-23)	1)CARE BBB+; Stable / CARE A2 (21-Dec-21)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	55.00	CARE BBB+; Negative / CARE A2	-	1)CARE BBB+; Negative / CARE A2 (05-Jan-24)	1)CARE BBB+; Stable / CARE A2 (01-Feb-23)	1)CARE BBB+; Stable / CARE A2 (21-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based - LT/ ST-Derivative Limits	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

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

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