

Membrane Filters (India) Private Limited

January 22, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.79	CARE B-; ISSUER NOT COOPERATING* (Single B Minus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; (Single B Plus)
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	29.79 (Rs. Twenty-Nine Crore and Seventy-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE had, vide its press release dated October 25, 2019, placed the rating of Membrane Filters (India) Private Limited (MFIPL) under the 'issuer non-cooperating' category as MFIPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. MFIPL continues to be non-cooperative despite repeated requests for submission of information through email dated June 25, 2020, July 31, 2020, October 22, 2020, November 24, 2020, January 12, 2021 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the rating assigned to the bank facilities of MFIPL takes into account no due diligence conducted and non-availability of information due to non-cooperation by MFIPL with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The revision in the rating also factors in significant decline in total operating income, profit margins, deterioration in solvency position and elongated operating cycle in FY19.

Detailed description of the key rating drivers

At the time of last rating on October 25, 2019 the following were the rating strengths and weaknesses (Updated with recent information from MCA):

Key Rating Weaknesses

Modest scale of operation: In FY19, the total operating income of the company has seen a y-o-y decline of about 24.65% to Rs. 28.40 crore. The scale of operations continues to remain modest with a net worth base of Rs. 19.72 crore as on March 31, 2019.

Concentration risk with respect to revenue: During FY15, almost entire revenue of MFIPL came from orders executed for Public Health Engineering Department (PHED) Government of Bihar. Additionally, the company's outstanding order book is mainly concentrated with orders from PHED Govt. of Bihar, exposing the company to revenue concentration risk.

Volatile profitability margins: The profitability margins of the company remained highly volatile and varies from project to project depending on the nature and complexity of orders executed. The profitability margins declined significantly with PBILDT margin in the range of 3.46% to 17.58% during last three years ended in FY19. Further, the company has registered net loss and cash loss of Rs. 3.95 crore and Rs 3.36 crore respectively in FY19.

Moderate capital structure: The total debt of the company comprises of term loan, working capital borrowing and unsecured loan. The capital structure of the company deteriorated and stood moderate with an overall gearing of 1.55x as on March 31, 2019.

Elongated working capital cycle: The working capital cycle of the company further deteriorated and remained elongated at 343 days in FY19 with funds mainly blocked in receivables.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Exposure to currency fluctuation risk: MF IPL imports some of the key raw materials like fibres, special pumps and such other products required for the manufacturing of filtration systems. The company mainly imports these materials from China; however, payments for the same are made in US dollars. In the absence of any hedging policy, the company is exposed to foreign exchange fluctuation risk.

Key Rating Strengths

Experienced promoters and presence of company in niche segment: The company's promoters have an extensive experience of more than one and a half decade in the field of manufacturing, sales and marketing of water filtration systems. The promoters are further supported by a strong team of management including Mr Sarang Devi, who looks into the business development and has experience of about 5 years and Mrs Rushida Devi who looks after the quality control and assurance at MF IPL.

Healthy outstanding order book position providing medium term revenue visibility: The company had a healthy outstanding order book of Rs.104.84 crore (3.32x of FY15 revenues) as on August 31, 2015.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Short-term Instruments](#)

[CARE's Methodology for Manufacturing Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

MF IPL promoted by Mr Subhash Devi, started commercial production in 2003. MF IPL is engaged in the manufacturing of Water Filtration Systems by employing the Ultra Filtration (UF) Membrane technology developed by Pune-based Council of Scientific and Industrial Research, National Chemical Laboratory (CSIR-NCL). This UF membrane technology was acquired by MF IPL in 2005. The company's majority of the shareholding, ie, 48.93% is held by a venture capital company, viz, Innovative Ventures Limited (IVL). The manufacturing facility of the company is located at Bhor, Maharashtra, with a total installed capacity of 3,000 units.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	37.69	28.40
PBILDT	3.38	0.98
PAT	0.04	-3.95
Overall gearing (times)	1.44	1.55
Interest coverage (times)	0.90	0.26

A: Audited,

Status of non-cooperation with previous CRA: CRISIL suspended the ratings assigned to the bank facilities of Membrane Filters India Private Limited as per press release dated May 30, 2014 on account of non-cooperation from the client to provide adequate information

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October 2019	2.89	CARE B-; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	5.50	CARE B-; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	11.40	CARE B-; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	2.89	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (28-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	5.50	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (28-Apr-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE A4; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (28-Apr-17)
4.	Fund-based - LT-Cash Credit	LT	11.40	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (28-Apr-17)

*Issuer did not cooperate; based on best available information

Annexure 3: Complexity level of various instruments rated for this Company

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 - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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