

**Manan Impex**  
**October 26, 2021**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.50	<b>CARE B; Stable</b> (Single B; Outlook: Stable)	<b>Assigned</b>
<b>Total Facilities</b>	<b>7.50</b> (Rs. Seven Crore and Fifty Lakhs Only)		

*Details of facilities in Annexure -1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Manan Impex (MIM) is primarily constrained on account of small scale of operations coupled with thin profitability and stretched liquidity during FY21 (Provisional; refers to the period April 1 to March 31). The rating also factors in implementation and stabilization risk associated with the debt funded project along with proprietorship nature of constitution and competitive nature of industry.

However, the rating derive strength from experienced proprietor along with comfortable capital structure and debt coverage indicators.

**Rating Sensitivities****Positive Factors**

- Sustained growth in total operating income of more than 50% with a similar increase in profitability
- Sustained capital structure marked by overall gearing at below unity while sustaining the comfortable debt coverage indicators
- Successful completion of debt funded capex within envisaged cost and time parameters and achieving envisaged sales as well as profitability

**Negative Factors**

- Decline in scale of operations by more than 30% along with a decrease in PBILDT margin below existing level
- Deterioration in gearing ratio to more than 1.00 times along with a deterioration in overall liquidity profile with an elongation in operating cycle to beyond 70 days

**Detailed description of the key rating drivers****Key Rating Weaknesses****Small scale of operations coupled with thin profitability**

During FY21, the Total Operating Income (TOI) of MIM almost doubled but continued to remain small at Rs.20.59 crore as against from Rs.7.97 crore during FY20 mainly due to increase in goods traded and demand from end customers. However, PBILDT margin has dipped by 84 bps over FY20 and remained thin at 0.79% during FY21 mainly led by an increase in material cost. Consequently, PAT margin has also dipped by 41 bps and remained thin at 0.58% during FY21 as against 0.99% during FY20.

**Implementation and stabilization risk associated with debt funded capex**

MIM is implementing a green field project of manufacturing of refined plastic granules with proposed installed capacity of 10-15 metric tonnes per day with its plant located at industrial unit of Jodhpur, Rajasthan reflecting leveraged project gearing of 2.73 times. The said capex is expected to be completed till December 2021 and commercial operations is expected to commence by the end of January, 2022. As on date the project is yet not commenced, and it will be commenced after disbursement of loan.

As the entire cost is yet to be incurred by the firm towards the said capex, project implementation risk and consequently post project implementation risk towards quick stabilization of the manufacturing facilities to achieve the envisaged scale of business persists.

**Proprietorship nature of its constitution**

Due to MIM being a proprietorship firm, it has limited ability to raise capital as it has restricted access to external borrowings where personal net worth and credit worthiness of proprietor affect decisions of prospective lenders. Further, it is susceptible to risks of withdrawal of proprietor' capital at time of personal peril and poor succession decisions may raise the risk of dissolution of the firm. During FY21, proprietor has withdrawn capital of Rs.9.45 crore for personal purpose.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### **Competitive nature of industry**

The firm operates in the trading industry which is highly competitive industry with presence of numerous organized and unorganized players owing to low entry barriers leading to high level of competition in the segment. The intense competition in highly fragmented trading industry also restricts ability to completely pass on volatility in input cost to its customers.

### **Key Rating Strengths**

#### **Experienced proprietor**

MIM is being managed by proprietor Ms. Preeti Lodha and assisted by her husband Mr. Aditya Lodha. Both Ms. Preeti Lodha and Mr. Aditya Lodha has an experience of more than two decades in trading industry and looks after overall business operations of MIM.

#### **Comfortable capital structure and debt coverage indicators**

As on March 31, 2021, capital structure of MIM remained comfortable marked by below unity overall gearing ratio of 0.09 times as against 0.04 times as on March 31, 2020. The marginal deterioration was mainly on account of decrease in tangible net worth base as on balance sheet date led by withdrawal of capital by proprietor. Debt coverage indicators have also remained comfortable marked by total debt to gross cash accruals of 2.88 times as on March 31, 2021 as against 4.79 times as on March 31, 2020. The improvement was mainly on account of decrease in total debt coupled with marginal increase in gross cash accruals during FY21. Further, interest coverage has also improved and remained comfortable at 65.39 times during FY21 as against 62.01 times during FY20 on account of meagre interest & finance charges coupled with increase in PBILDT during the year.

#### **Liquidity Analysis: Stretched**

The liquidity of the firm remained stretched marked by low cash and bank balance which remained at Rs.0.02 crore as on March 31, 2021 (Rs.0.07 crore as on March 31, 2020). The cash accruals also remained low however adequate at Rs.0.16crore in FY21 against its nil repayment obligations for FY22.

However, average utilization of fund based limits remained low at 16% during the past 6 months ended August, 2021(facilities sanctioned w.e.f March 25, 2021). Cash flow from operations (CFO) also improved and turned positive with Rs.9.55 crore during FY21 as against negative CFO of Rs.0.42 crore during FY20 on account of realisation of funds from receivables as well as current loans and advances. Moreover, the operating cycle improved but continue to remain elongated at 72 days during FY21 as against 124 days during FY20 on account of decrease in collection period days. Also, the moratorium benefit under COVID-19 Relief package was not applicable to firm as the facilities were sanctioned from bank in FY22.

**Analytical approach:** Standalone

#### **Applicable Criteria**

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating methodology-Wholesale Trading](#)

### **About the firm**

Jodhpur (Rajasthan) based Manan Impex (MIM) was established as a proprietorship firm in 1999 by proprietor Ms. Preeti Lodha who is assisted by her husband Mr. Aditya Lodha. It is engaged into the business of trading of Plastic granules and Agro commodities (like Cumin seeds, Mustard seeds, Guar gum and Castor seeds). W.e.f April, 2021, firm has also started erection & commissioning of telecom towers. It carries its trading activities from its sole commercial unit located at Jodhpur (Rajasthan).

<b>Brief Financials (Rs. crore)</b>	<b>FY20(A)</b>	<b>FY21(Prov.)</b>
Total operating income	7.97	20.59
PBILDT	0.13	0.16
PAT	0.08	0.12
Overall gearing (times)	0.04	0.09
Interest coverage (times)	62.01	65.39

A:Audited

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

**Any other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors/ Managing Director & CEO:** Not Applicable

**Rating History:** As per Annexure-2

**Covenants of rated instrument/facility:** Annexure 3

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

**Bank/Lender Details:** As per Annexure-5

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed fund based limits		-	-	-	3.15	CARE B; Stable
Fund-based - LT-Bank Overdraft		-	-	-	4.35	CARE B; Stable

#### 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Proposed fund based limits	LT	3.15	CARE B; Stable				
2	Fund-based - LT-Bank Overdraft	LT	4.35	CARE B; Stable				

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities -** Not Applicable

#### Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Proposed fund based limits	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 instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications

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### Disclaimer

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