

## Manan Impex

October 31, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>7.50</b> <b>(₹ Seven Crore and Fifty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Manan Impex (MIM) to monitor the rating vide e-mail communications dated August 01, 2022, August 17, 2022, September 05, 2022, September 22, 2022, October 17, 2022, among others and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Manan Impex has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Manan Impex's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING\***.

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

The rating assigned to the bank facilities of Manan Impex (MIM) take into consideration its 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.

### Detailed description of the key rating drivers

At the time of last rating on PR dated October 26, 2021, the following were the rating strengths and weakness.

#### Key Rating weakness

##### 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's 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 definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s 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: 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

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

[Policy on Withdrawal of Ratings](#)

### About the Entity:

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)

Brief Financials (Rs. crore)	31-03-2021 (Prov.)	31-03-2022 (Prov.)	H1FY23*
Total operating income	20.59	NA	NA
PBILDT	0.16	NA	NA
PAT	0.12	NA	NA
Overall gearing (times)	0.09	NA	NA
Interest coverage (times)	65.39	NA	NA

Prov.-Provisional; NA- Not Available

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

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this Entity:** Please refer Annexure-4

**Banker/Lender details of the Entity:** Please refer 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 along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	4.35	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund-based limits		-	-	-	3.15	CARE B; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of 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 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-Proposed fund based limits	LT	3.15	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (26-Oct-21)	-	-
2	Fund-based - LT-Bank Overdraft	LT	4.35	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (26-Oct-21)	-	-

\* Long Term / Short Term

**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 Ratings Ltd. 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](mailto:care@careedge.in) for any clarifications.

## Contact us

### Media Contact

Name – Mr. Mradul Mishra  
Contact no. – +91-22-6837 4424  
Email ID – [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name - Ms. Sajni Shah  
Contact no. – +91-079-40265636  
Email ID- [sajni.shah@careedge.in](mailto:sajni.shah@careedge.in)

### Relationship Contact

Name - Mr. Deepak Prajapati  
Contact no. – +91-079-40265656  
Email ID: [deepak.prajapati@careedge.in](mailto:deepak.prajapati@careedge.in)

### About CARE Ratings:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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