

Madan Udyog Private Limited

January 28, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; Issuer Not Cooperating)	“Issuer not cooperating; Based on best available information”
Total	10.00 (Rs. Ten crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Madan Udyog Private Limited (MUPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on MUPL's bank facilities will now be denoted as **CARE BB; 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(s).

The rating assigned to the bank facilities of Madan Udyog Private Limited (MUPL) continues to remain primarily constrained on account of its financial risk profile marked by moderate solvency position and working capital intensive nature of business. The rating, further, continues to remain constrained on account of vulnerability of margins to volatile raw material (rubber) prices.

The rating, however, continues to favorably takes into account experienced management with established customer base. The ratings, further, derive strength from moderate profitability margins.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2019, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Moderate solvency and working capital intensive nature of business

The capital structure stood moderate marked by overall gearing of 1.98 times as on March 31, 2019, deteriorated from 1.67 times as on March 31, 2019 mainly due to infusion of new term loans and higher utilization of working capital bank borrowings during FY19 which offset to an extent by profit accretion to reserves.

Further, the debt coverage indicators stood leveraged marked by Total debt to GCA of 12.31 times as on March 31, 2019, deteriorated from 11.83 times as on March 31, 2018 mainly due to proportionately higher increase in total debt than GCA level. Interest coverage stood moderate at 1.79 times in FY19.

The liquidity position of company stood moderate marked by current ratio of 1.16 times as on March 31, 2019 and below unity quick ratio at 0.79 times as on March 31, 2019. Further, the operating cycle of the company stood elongated although improved from 227 days in FY18 to 200 days in FY19 owing to decline in average collection period and average inventory holding period. It has almost full utilization of its working capital bank borrowings in last twelve month ended December 2019.

Project implementation risk

MUPL undertook a project to start manufacturing unit for manufacturing of Tyre. The company had envisaged total project cost of Rs.5.33 crore towards the project which was to be funded through term loan of Rs.4.00 crore and remaining through unsecured loans. Till October 31, 2018, it had incurred total cost of Rs.1.33 crore towards the project funded through unsecured loans.

Volatility in raw material (rubber) prices

The major raw materials used are natural rubber, synthetic rubber, fillers such as carbon black, which are prone to high price volatility. With high inventory holding period, the profitability of the company is exposed to fluctuation in raw material prices.

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

Key Rating Strengths

Experienced management with established customer base

MUPL was incorporated in the year 2010 and hence, has a track record of 8 years in the industry. Mr. Shyam Sunder Agarwal, Director, has around five decades of experience in this line of business. He is well supported by his son Mr. Anand Khandelwal who has around four decades of experience in the same line of business. Mr. Antush Khandelwal (Grandson of Shyam Sunder Agarwal), is Chartered Accountant by qualification and CFO of company and look after the finance department. Further, the company sells its product to Hercules Cycles and Hero and generates around 17% of Total Operating Income (TOI) from them.

Moderate profitability margin

During FY19, Total Operating Income (TOI) of the company has improved by 15.22% over FY18 and stood at Rs.31.42 crore. Till November 30, 2019, MUPL has registered TOI of Rs.20.15 crore.

During FY19, Profitability margin of the company stood moderate marked by PBILDT and PAT margin of 11.37% and 2.47% respectively in FY19 as against 12.30% and 2.12% respectively in FY18.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology-Manufacturing Companies](#)

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

About the Company

Nagpur based (Maharashtra) based Madan Udyog Private Limited (MUPL) was incorporated in 2010 by Mr. Shyam Sunder Agarwal and Mr. Anand Agarwal. MUPL is engaged in the production of jointed and moulded rubber tubes for bicycle and rickshaw. The manufacturing facility is located at Sinnar, Nashik and has an installed capacity of 12 Lakh tubes per month. It purchases the major raw material i.e raw rubber sheet from Cochin. It has total 12 offices located in different-different states like Nagpur, Raipur, Jabalpur, Calcutta, Patna, Kathiyar, Chennai, Bangalore, Jaipur, Lucknow, Allahabad and Ludhiana. The tubes manufactured by MUPL are sold under the brand name "Madan". MUPL had accredited with the quality certifications of ISO 9001:2008.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	27.27	31.42
PBILDT	3.36	3.57
PAT	0.58	0.78
Overall gearing (times)	1.67	1.98
Interest coverage (times)	1.69	1.79

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: None

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-Cash Credit	-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB; Stable (05-Apr-19)	-	-	-

*Issuer not cooperating; based on best available information

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 corporates 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.

Disclaimer

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