

## Milton Industries Limited

May 23, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	3.28	<b>CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; On the basis of best available information
Long term Bank Facilities/ Short term Bank Facilities	10.00	<b>CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; On the basis of best available information
Short term Bank Facilities	8.75	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; On the basis of best available information
<b>Total</b>	<b>22.03 (Rupees Twenty Two Crore and Three Lakh Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 23, 2018 placed the ratings of Milton Industries Limited (MIL) under the 'issuer non-cooperating' category as MIL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. MIL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated April 08, 2019, April 15, 2019, April 17, 2019, April 19, 2019 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on MIL's bank facilities will now be denoted as **CARE BB; Stable/ CARE A4; 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 ratings.***

*The ratings assigned to the bank facilities of Milton Industries Limited (MIL) continue to remain constrained on account of moderate scale of operations, moderate profitability, modest liquidity position and susceptibility of operating margin to raw material price and foreign exchange rate fluctuation.*

*The ratings, however, continue to draw strength from vast experience of the promoters, long and well-established track record of operations, diversified product portfolio, moderate capital structure and debt coverage indicators.*

### Detailed description of the key rating drivers

*At the time of last rating on February 23, 2018 the following were the rating strengths and weaknesses (updated for publically available information):*

#### Key Rating Weaknesses

##### ***Moderate scale of operations with moderate profitability***

During FY18, scale of operations as marked by total operating income (TOI) decreased by 11.80% y-o-y to Rs. 38.48 crore from Rs.43.63 crore in FY17. Further, PBILDT and PAT margins remained at 12.71% and 3.38% respectively in FY18 from 11.14% and 2.16% respectively in FY17.

##### ***Modest liquidity position***

During FY18, overall liquidity position remained modest marked by current ratio of 1.69 times (1.27 times as on March 31, 2017) and an elongated operating cycle of 265 days (204 days in FY17). Cash and bank balance remained low at Rs.0.15 crore as on March 31, 2018, whereas cash flow from operations remained negative at Rs.10.51 crore during FY18.

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

\*Issuer did not co-operate; Based on best available information

***Susceptibility of operating margins to raw material price and foreign exchange rate fluctuations***

The major raw materials used by MIL for polymer and artificial leather are resins and Poly Vinyl Chloride (PVC; pest grade), which are derivatives of crude oil and keep fluctuating in nature as per global markets. MIL is exposed to fluctuations in raw material prices along with foreign exchange rate fluctuations and any adverse movement in raw material prices would have a direct bearing on the profitability.

**Key Rating Strengths**
***Experienced promoters with long and well-established track record of operations***

MIL was founded by Mr Vijaipal Jain and Late Mr Mahipalsingh Jain in 1985. Mr Vijipal Jain, Mr Abhay Jain and Mr Vikas Jain look after the overall management of MIL and have an average experience of around more than two decades in the industry.

***Diversified product portfolio***

MIL is engaged in three business segments namely artificial leather, laminates and glass fiber reinforced epoxy resin sheets. Thus it mitigates industry specific risk to a certain extent.

***Moderate capital structure and debt coverage indicators***

As on March 31, 2018, capital structure marked by an overall gearing ratio remained at 0.55 times while debt coverage indicators of MIL remained moderate marked by interest coverage ratio of 2.12 times and total debt to gross cash accruals (TDGCA) of 7.84 times as against interest coverage ratio of 2.12 times TDGCA of 8.21 times as on March 31, 2017.

**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](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

**About the Company**

Ahmedabad-based (Gujarat) MIL is a closely-held public limited company engaged in manufacturing of laminates, artificial leather & polymer since 1985. In 2009, MIL merged the operations of its group company Valley Velvette Private Limited which was in the business of artificial leather and polymer. In August 2015, MIL has commenced production of glass fibre reinforced epoxy resin sheet at its Sabarkantha plant. It has manufacturing facilities located at Mehsana & Sabarkantha district of Gujarat. Unit located at Mehsana is engaged in manufacturing high pressure laminates, industrial laminates, laminated board and flooring laminates. Unit at Sabarkantha manufactures artificial leather, polymers and glass fibre reinforced epoxy resin sheet. Laminates are primarily used in real estate and artificial leather and polymers in Indian railways and roadways. As on March 31, 2016, it had a total installed capacity of 3600 Metric Ton Per Annum (MTPA) of laminates and 2400 km per annum of artificial leather & PVC and 4,400 MTPA of Glass Fibre Reinforced Epoxy Resin Sheet. MIL has registered its trademark "MILTON" and "VALLEY VELVETTE". MIL is an ISO 9001: 2008 certified company.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	43.63	38.48
PBILDT	4.86	4.89
PAT	0.94	1.30
Overall gearing (times)	1.10	0.55
Interest coverage (times)	2.12	2.12

A: Audited

**Status of non-cooperation with previous CRA:**

ACUITE has put ratings assigned to the bank facilities of MIL in to 'Non Cooperation' vide press release dated May 14, 2019 on account of noncooperation by MIL with ACUITE's efforts to undertake a review of the ratings outstanding.

**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/ ST-CC/Packing Credit	-	-	-	10.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	7.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Long Term	-	-	April, 2019	2.78	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	1.75	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not co-operate; 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 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/ ST-CC/Packing Credit	LT/ST	10.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (23-Feb-18)	1)CARE BB; Stable / CARE A4 (13-Feb-17)
2.	Non-fund-based - ST-BG/LC	ST	7.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (23-Feb-18)	1)CARE A4 (13-Feb-17)
3.	Fund-based - LT-Cash Credit	LT	0.50	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (23-Feb-18)	1)CARE BB; Stable (13-Feb-17)
4.	Term Loan-Long Term	LT	2.78	CARE BB; Stable; ISSUER NOT	-	-	1)CARE BB; Stable; ISSUER NOT	1)CARE BB; Stable

				COOPERATING* Issuer not cooperating; Based on best available information			COOPERATING* (23-Feb-18)	(13-Feb-17)
5.	Non-fund-based - ST-Letter of credit	ST	1.75	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (23-Feb-18)	1)CARE A4 (13-Feb-17)

*\*Issuer did not co-operate; 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](http://www.careratings.com). 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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### 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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**