

Milton Industries Limited

August 11, 2020

Ratings

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

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated May 23, 2019 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 28, 2020, April 30, 2020, May 04 2020, May 20, 2020, July 29, 2020 and August 04, 2020. 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.

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 MIL continue to remain constrained on account of its moderate scale of operations, moderate profitability and susceptibility of operating margin to raw material price and foreign exchange rate fluctuation.

The ratings, however, continue to derive strength from vast experience of the promoters with 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 May 23, 2019 the following were the rating strengths and weaknesses: (Updated from publically available information)

Key Rating Weaknesses

Moderate scale of operations with moderate profitability

MIL's total operating income (TOI) increased by ~24%, however continued to remain moderate at Rs.68.45 crore in FY20 (Rs.55.18 crore in FY19). Further, PBILDT and PAT margins remained at 12.23% and 5.08% respectively in FY20 (10.48% and 3.56% respectively in FY19).

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.

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

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

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

Capital structure of MIL remained moderate marked by an overall gearing ratio at 0.47 times as on March 31, 2020 (0.53 times as on March 31, 2019). The debt coverage indicators of MIL continue to remain moderate in FY20 marked by interest coverage ratio of 4.06 times (P.Y.: 3.08 times) and total debt to gross cash accruals (TDGCA) of 3.30 years (P.Y.: 5.04 years).

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 Velvete 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. It has a total installed capacity of 3600 Metric Ton Per Annum (MTPA) of laminates and 2400 km per annum of artificial leather & PVC and 4400 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)	FY19 (A)	FY20 (A)
Total operating income	55.18	68.45
PBILDT	5.79	8.37
PAT	1.96	3.48
Overall gearing (times)	0.53	0.47
Interest coverage (times)	3.08	4.06

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 August 04, 2020 on account of non-cooperation 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-operated; 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)
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
3.	Fund-based – LT-	LT	0.50	CARE BB; Stable;	-	-	1)CARE BB; Stable;	1)CARE

	Cash Credit			ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information			ISSUER NOT COOPERATING* (23-Feb-18)	BB; Stable (13-Feb-17)
4.	Term Loan-Long Term	LT	2.78	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)
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-operated; 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/ ST-CC/Packing Credit	Simple
3.	Non-fund-based - ST-BG/LC	Simple
4.	Non-fund-based - ST-Letter of credit	Simple
5.	Term Loan-Long Term	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 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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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