

February 16, 2023

Mallcom (India) Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term – Fund-based Limits – Working Capital Facilities	75.00	75.00	[ICRA]A (Stable)
Total	75.00	75.00	

*Instrument details are provided in Annexure-I

Rationale

Material Event

The board of directors of Mallcom (India) Limited (MIL) in their meeting held on February 8, 2023 has extended its approval for additional investment in Mallcom Safety Private Limited (MSPL), through acquisition of the residual stake (25%) from its foreign investor. The total estimated outlay would be around Rs. 4.20 crore for acquiring 15,00,000 equity shares of MSPL. The acquisition price will be as per the valuation report, to be obtained by the company from a competent professional. The entire process is likely to be completed by March 2023. Upon this acquisition, MIL's holding in MSPL would stand at 100%. Consequently, MSPL will become a wholly-owned subsidiary company of MIL.

Impact of the Material Event

ICRA considers this event as credit neutral for MIL's outstanding rating, considering that the rating approach is already based on the consolidated financial profile of the company, which includes MIL and its subsidiaries as mentioned in Annexure II. The outstanding rating continues to factor in MIL's comfortable financial risk profile, characterised by healthy profits and cash accruals, a conservative capital structure and strong debt protection metrics, while maintaining a strong liquidity profile.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Mallcom (India) Limited. The company had three subsidiaries, of which two are wholly owned, and are enlisted in Annexure- II.

About the company

Incorporated in 1983, Mallcom (India) Limited (MIL) manufactures industrial safety products. MIL sells its products both in domestic and international markets. The product profile includes a wide range of personal protective equipment from head to toe like industrial garments, leather and synthetic gloves, safety shoes, helmets etc. The company's manufacturing facilities are in West Bengal and in Haridwar, Uttarakhand.

The company had two wholly-owned subsidiaries namely, Mallcom VSFT Gloves Private Limited (MVGPL) and Best Safety Private Limited (BSPL), which are also involved in manufacturing/ processing of personal protective equipment, primarily for

MIL. In the recent past, the Hon'ble Regional Director, Ministry of Corporate Affairs, Eastern Region has approved the scheme of amalgamation between MIL (transferee company) and BSPL (transferor company). The same will become effective from April 2021. The company has another subsidiary namely, Mallcom Safety Private Limited (MSPL), in which it has an equity stake of 75% (increased from 50.003% during the current fiscal) and the balance is held by a foreign investor based out of the UAE. MIL is in the process of acquiring the balance 25% stake in MSPL from the foreign investor, which is likely to be completed by March 2023. MSPL commenced its operations in FY2022 and manufactures industrial garments, which are exclusively sold in the international market.

Key financial indicators

	Standalone		Consolidated			
	FY2021 (Audited)	FY2022 (Audited)	FY2021 (Audited)	FY2022 (Audited)	9M FY2023 (Unaudited)	9M FY2022 (Unaudited)
Operating income	325.1	363.5	315.4	353.8	297.8	251.2
PAT	25.5	30.9	28.4	31.7	27.2	22.3
OPBDIT/OI	11.1%	11.7%	12.7%	13.1%	14.0%	14.2%
PAT/OI	7.9%	8.5%	9.0%	9.0%	9.1%	8.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.5	0.7	0.6	-	-
Total debt/OPBDIT (times)	1.5	1.1	1.4	1.2	-	-
Interest coverage (times)	22.8	23.1	25.1	22.6	28.5	20.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Source: Mallcom (India) Limited, ICRA Research

Status of non-cooperation with previous CRA

CRA	Status of non-cooperation	Date of Press Release
India Ratings	IND BB/A4+ ISSUER NOT COOPERATING	July 28, 2022

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Current rating			Chronology of rating history for the past 3 years		
				Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Feb 16, 2023	Jan 17, 2023	Jul 22, 2022	Apr 7, 2021	Jun 29, 2020	-
1 Working Capital Facilities	Long Term	75.00	28.59	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	-
2 Unallocated Limits	Long Term	-	NA	-	-	-	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based Limits – Working Capital Facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Pre-shipment/ Post-shipment working capital facilities 1	-	-	-	50.00	[ICRA]A (Stable)
NA	Pre-shipment/ Post-shipment working capital facilities 2	-	-	-	25.00	[ICRA]A (Stable)

Source: Mallcom (India) Limited

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mallcom (India) Limited	100% (rated entity)	Full Consolidation
Mallcom VSFT Gloves Private Limited	100%	Full Consolidation
Best Safety Private Limited	100%	Full Consolidation
Mallcom Safety Private Limited	50.003%	Full Consolidation

Source: Annual report of 2021-22, Mallcom (India) Limited

Note: ICRA has taken a consolidated view of the parent (MIL) and its subsidiaries while assigning the rating.

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