



## Press Release

**Mantri Metallica Private Limited**

**July 22, 2022**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	74.98	IVR B/ Stable (IVR Single B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	18.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>92.98</b> <b>(Rupees Ninety-Two Crores and Ninety-Eight Lakhs Only)</b>			

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Mantri Metallica Private Limited (MMPL) draws comfort from experienced promoters and management team, wide product portfolio and geographical presence in the market, locational advantage, established relationship with reputed players in the market. The ratings however constrained by relatively modest scale of operation coupled highly leverage capital structure and debt coverage indicators, profitability susceptible to raw material price, exposure to cyclical inherent in auto industry and Intense competition in automotive component industry.

### Key Rating Sensitivities:

#### Upward Factors

- Improvement in scale of operations and profitability on sustained basis
- Improved liquidity position and overall financial risk profile

#### Downward Factors

- Any increase in debt levels further deteriorating overall financial risk profile
- Further decline in profitability leading to deterioration in coverage metrics



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced management and long track record of operations:**

Mr. Prasad Mantri is graduated in Chemical Engineering from Mumbai University in 2000, he joined MMPL in the capacity of Director. He has an experience of more than 20 years. He has developed the Export Market of the company and in last more than 15 years. He shares very good rapport with all his clients, which includes world renowned players in the Commercial Vehicle segment, Tractors segment and also non-automotive side. Mrs. Shruti Mantri is Director of the company and has experience of 15 years. She has done her graduation in Bachelor of Commerce

- **Established relationship with reputed players in the market**

MMPL's business risk profile continues to be supported by healthy relationship developed with various OEMs like Tata Motors, Ashok Leyland, John Deer, Volvo, Tata Cummins, etc. Moreover, reputed client base ensures repeat orders and low counterparty credit risk and timely realization of receivables

- **Wide product portfolio and geographical presence in the market**

MMPL is primarily engaged in the business of manufacturing and distribution of auto parts primarily to OEMs. MMPL caters to a diversified segment viz., heavy commercial vehicles, light commercial vehicles, tractors, passenger cars and non-automotive components for diesel engines and engineering products. The Company generates revenue from domestic market around 60% and rest from export market

- **Locational advantage**

The company has 3 manufacturing facilities viz., 2 units located at Shirol & Kagal in Kolhapur, Maharashtra and 1 unit located at Pantnagar in Rudrapur, Uttarakhand. MMPL has an integrated facility with all under one roof – foundry, machining, painting & sub-assembly. As the manufacturing units are located on Mumbai- Bangalore highway, logistic facilities are good. It also has proximity to Ashok Leyland and Tata Motors in Pantnagar, Uttarakhand



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### Key Rating Weaknesses

- **Relatively modest scale of operation**

The scale of operation of the company witnessed a dip of 31% and remained at Rs.169.05 crore in FY21 (vis-à-vis Rs.245.61 crore in FY20) mainly due to pandemic situation which led to shut down of manufacturing units, however post Covid19 situation the same has been renounced and remained at Rs.228.66 crore in FY22 (Provisional) however the same remains relatively modest limiting economies of scale.

- **Highly leverage capital structure and debt coverage indicators**

Due to low net worth base of Rs. 18.99 crores in Prov FY22 the company reported highly leverage capital structure coupled with weak coverage indicators. The company reported ISCR at 0.64 times and DSCR at 0.48 times in Prov FY22 reflecting weak repayment capacity.

- **Profitability remains susceptible to price volatility of raw materials**

Steel is the major raw material for the company. Steel prices are highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors. Thus, the company's cash flows and profits are susceptible to fluctuation in raw material prices.

- **Exposure to cyclicity inherent in auto industry**

Automotive industry is subjected to cyclical variations in performance and is very sensitive to various policy changes. MMPL's performance remains closely aligned to the performance of key customers and in-turn exposed to cyclical demand patterns inherent to the automobile industry and ability of the OEMs to sustain their operating performance. Following the economic fallout led by the Covid-19 pandemic, domestic as well as global auto sales were impacted. Moreover, recent supply chain constraints such as the semiconductor shortage have again resulted in temporary hiccups.

- **Intense competition in automotive component industry which exert pressure on margins**

Intense competition due to the presence of other automotive component manufacturers, which exerts pricing pressures, is likely to weigh on the company's operating margins. With increasing presence of domestic as well as international players in the automotive ancillary business, the competition had increased over the years. Nonetheless, MMPL's strong relationship with its clients mitigates the risk to a certain extent.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity – Stretched**

The company's liquidity has remained stretched as evident from current ratio and quick ratio remained below unity level in FY22, also the company has provided advance to its subsidiary amounting to Rs.42.84 crore to procure raw material, however the same is not expected to get recover due to shutdown of plant due to Covid-19 leading to liquidity stress on the financial risk profile. However, the management has clarified that the subsidiary plant is expected to start in FY23, and recovery of raw material is expected to start at earliest, the same remains key monitorable. Also, coverage metrics seem to be below average with higher repayment in FY22 compared to cash accruals. Due to lower profitability margins in FY22 the company was not able to generate healthy cash accruals. Working capital cycle had shown some deterioration in FY22 due to supply chain bottlenecks however the same is expected to improve in FY23.

### **About the Company**

Mantri Metalics is a Private Limited company established in July of 1995 under the Company's Act, 1956. MMPL's primary line of business is production and distribution of auto parts primarily to OEMs. MMPL caters to a diversified segment viz., heavy commercial vehicles, light commercial vehicles, tractors, passenger cars and non-automotive components for diesel engines and engineering products. MMPL has a production capacity of 37,200 MT of machined iron castings manufacturing over 200 different types of parts across 3 manufacturing facilities viz., 2 units located at Shirol & Kagal in Kolhapur, Maharashtra and 1 unit located at Pantnagar in Rudrapur, Uttarakhand. MMPL has an integrated facility with all under one roof – foundry, machining, painting & sub-assembly. MMPL is one of the few companies in the sector which has full-fledged paint shop. Company has strong customer service.



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### Financials (Standalone)\*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	169.05	228.66
EBITDA	3.18	12.80
PAT	-26.89	14.47
Total Debt	128.64	91.24
Tangible Net worth	4.50	18.99
EBITDA Margin (%)	1.88	5.60
PAT Margin (%)	-15.76	6.28
Overall Gearing Ratio (times)	28.57	4.80
Interest Coverage Ratio (times)	0.16	0.64

\*Classification as per Infomerics standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings has maintained the rating of MMPL in issuer not cooperating category vide its Press Release dated December 21, 2021.

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based – Rupee Term Loans	Long Term	23.02	IVR B/ Stable	–	–	–
2.	Fund Based – Cash Credit	Long Term	40.00	IVR B/ Stable	–	–	–
3.	Fund Based – GECL	Long Term	11.96	IVR B/ Stable	–	–	–
4.	Non-Fund Based – Bank Guarantee	Short Term	4.50	IVR A4	–	–	–
5.	Non-Fund Based – Letter of Credit	Short Term	13.50	IVR A4	–	–	–





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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Rupee Term Loans	–	–	Dec-2026	23.02	IVR B / Stable
Long Term – Fund Based – Cash Credit	–	–	–	40.00	IVR B / Stable
Long Term – Fund Based – GECL	–	–	Nov-2026	11.96	IVR B / Stable
Short Term – Non Fund Based- Bank Guarantee	–	–	–	4.50	IVR A4
Short Term – Non Fund Based- Letter of Credit	–	–	–	13.50	IVR A4
<b>Total</b>				<b>92.98</b>	

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Mantri-Metallics-july22.pdf>

### Annexure 3: List of companies considered for Consolidated Analysis: Not Applicable

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).