



## Press Release

### **Mauli Metal Industries Private Limited (MMIPL)**

**September 12, 2022**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	32.64	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>32.64 (Rupees Thirty- Two crore and Sixty-Four lakh only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Mauli Metal Industries Private Limited (MMIPL) factors in the experienced promoters with an established track record in the industry, established and reputed customer base and MMIPL's healthy financial risk profile. The ratings are, however, constrained mainly on account of risk associated with volatility in the raw material prices, moderate operating cycle, geographical and clients & supplier concentration risk, cyclicalities in the steel industry and presence in a highly competitive industry.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.

##### **Downward Factors**

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced Promoters with an established track record in the industry:**

Mr Shrikant Shelke and his wife Mrs. Chandrababha S Shelke are the promoters well experienced in manufacturing steel products. They have an established track record of setting up and implementing the projects within scheduled timeline. The unit is set up by Mr. Shrikant Shelke [B.S.C(Chem), MBA, Diploma in Labour Law, PG Diploma in environmental science]. The promoters are supported by his younger brother Mr. Shashi Shelke a qualified Engineer into assisting in purchases & sales activity.

##### **Healthy financial risk profile:**

The financial risk profile of the group is marked by healthy capital structure backed by its healthy net worth with long-term debt and moderate debt protection metrics. The net worth of company stood at Rs. 19.64 crore as on 31 March 2022 as against Rs.17.21 crore as on 31 March 2021. The overall gearing stood at 1.94x as on 31 March 2022 as against 2.04x as on 31 March 2021. The Interest Coverage Ratio (ICR) improved to 2.39x for FY22 as against 1.93x for FY21. Total Debt / GCA ratio is at 10.94x in FY22 as against 15.14x in FY21. TOL/ATNW stood at 1.83x as on 31 March 2022.

##### **Established and reputed customer base:**

The company manufactures aluminium alloys and caters to the requirement of authorized vendors supplying components to the automobile manufacturers. The company has been instrumental in establishing strong relationships with the automobile manufacturers over the years, which is evident from repeat orders received from its existing clientele who are the leading players of automobile industry. Furthermore, the top 5 customers of the company contributed 97.62% to the revenue during FY22.

#### Key Rating Weaknesses

##### **Risk associated with volatility in the raw material prices:**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production of Aluminium scrap, copper etc are steel scrap. The company does not have any long-term agreement for procurement of steel scrap. The company procures most of the scrap from the spot market, thus exposing the company to the volatility associated with the raw



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material price. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

### **Intense competition:**

The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players.

### **Moderate Operating Cycle:**

Cash conversion cycle stood at 98 days in FY22 which reflects moderate reliance on working capital debt. The average collection period is 21 days and average inventory holding period stands at 81 days in FY22. The average creditors period stands at 4 days in FY22 as against 22 days in FY21. The company can fund its working capital requirement on the back of favourable market demand.

### **Geographical and Clients & Supplier concentration risk:**

MMIPL majorly sells to Aurangabad with 73.39% of total sales in FY22. The company's majority of revenue and supplies come from its top 5 clients and suppliers respectively making a high concentration risk. The top 5 clients of the company account for 97.62% of the total sales of FY22 and the top 5 suppliers of the company account for 86.48% of the total company's raw material supplies of FY22.

### **Cyclicality in the steel industry:**

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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### **Liquidity – Adequate**

Company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. Also, the firm do not have any major long-term repayment obligations and major capex plans. The average cash credit utilisation for the last 12 months ended June 31, 2022, stood at 78.23%. The current ratio stood at 1.94 times as on 31st March 2022. The cash & cash equivalent stood at Rs 1.16 crore as on March 31, 2022.

### **About the Company**

Incorporated in 2011, MMIPL manufactures non-ferrous metal alloy (primarily aluminium-based alloys) in form of ingots and moulds & Die casting. It has two manufacturing plants, in Aurangabad and Osmanabad, with a total manufacturing capacity of 24,000 tonnes per annum. Shrikant Chandrakant Shelke and Chandraprabha Shrikant Shelke are the directors of the company.

### **Financials (Standalone):**

(Rs. crore)		
For the year ended/As on*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	101.73	171.15
EBITDA	6.16	7.86
PAT	1.10	2.43
Total Debt	35.19	38.03
Tangible Net Worth	17.21	19.64
<b>Ratios</b>		
EBITDA Margin (%)	6.05	4.59
PAT Margin (%)	1.08	1.42
Overall Gearing Ratio including Quasi Equity (x)	1.45	1.68

\*Classification as per Infomerics' standards

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

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of 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.	Cash Credit	Long Term	22.50	IVR BBB-/ Stable	-	-	-
2.	Term Loan	Long Term	10.14	IVR BBB-/ Stable	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Niket Ketan Dasani Tel: (022) 62396023 Email: <a href="mailto:niket.dasani@infomerics.com">niket.dasani@infomerics.com</a>	Name: Niriksha Gupta Tel: (022) 62396023 Email: <a href="mailto:niriksha.gupta@infomerics.com">niriksha.gupta@infomerics.com</a>
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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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



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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
Cash Credit	-	-	-	22.50	IVR BBB-/ Stable
Term Loan	-	-	December 2027	10.14	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Mauli-Metal-sep22.pdf>

**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).