



Press Release

Mauli Metal Industries Private Limited (MMIPL)

November 26, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complex ity Indicator |
|-----------------------|---|--|--|---------------|-----------------------------|
| Long Term Facilities | 45.33 | IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook) | IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook) | Reaffirmed | Simple |
| Total | 45.33 (Rs. Forty Five crore and Thirty Three lakh only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rational

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of MMIPL continues to derive strength from stable operating profile, albeit slight declined in profitability, improvement in capital structure and moderate debt protection metrics in FY24, established and reputed customer base and experienced promoters with an established track record in the industry. However, these rating strengths are partially offset by risk associated with volatility in the raw material prices, intense competition, working capital intensive nature of operations and geographical and customers & supplier concentration risk.

The Stable Outlook of MMIPL reflects benefit from experienced promoters and moderate financial risk.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in EBITDA margins and revenue while maintaining the current credit profile.



Press Release

Downward Factors

- Sustained declined in revenue and profitability and/or deterioration in working capital cycle and/or any debt fund led capex led to deterioration in credit profile and liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Stable Operating Profile, albeit slight declined in profitability**

MMIPL's total revenue improved by 35% on y-o-y basis to Rs.244.48 crore at the end of FY24 (period refers to April 1, 2023, to March 31, 2024) with higher volume as well as realisations. MMIPL's has achieved revenue of Rs.152 crore during 1HFY25 and expected to achieve revenue of close to Rs.280 crore at the end of FY25. EBITDA margins have slightly declined to 4.25% during FY24 due to higher expenses (FY23:4.91%); however, MMIPL has achieved margins of 6.35% and expected to achieve EBITDA margins of 5.10% at the end of FY25 with expected higher realisation with expected improvement in aluminium prices which will led to higher realisations.

- **Improvement in capital structure and moderate debt protection metrics in FY24**

MMIPL's capital structure remained moderate though improved in FY24 with overall gearing improved to 1.56x while TOL/TNW improved to 1.69x as on 31st March 2024 (31st March 2023: 2.39x and 2.50x respectively) with profit accretion to net worth and repayment of unsecured loans from related parties. Infomerics expects capital structure to improve further with profit accretion to net worth and absence of debt led capex. Debt protection metrics remained moderate with interest coverage ratio which has marginally improved and stood at moderate levels at 2.09x in FY24 (P.Y.: 1.91x) and total debt/NCA has improved and stood at 9.39 years in FY24 (FY23: 15.48 years) with debt repayments. IVR expects debt protection metrics are expected to be remain moderate through FY25-FY27 with absence of any debt led capex and expected improvement in EBITDA margins.

- **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 established strong relationships with the automobile manufacturers over the years, which



Press Release

is evident from repeat orders received from its existing clientele who are the leading players of automobile industry.

- **Experienced Promoters with an established track record in the industry**

MMIPL started its operations 2003 and has a long track record of around two decades. The promoters have extensive industry experience and an established track record in manufacturing steel products. Along with the experienced management team the company enjoys the benefit of established relationships with customers and suppliers.

Key Rating Weaknesses

- **Risk associated with volatility in the raw material prices**

The main raw material of the company is aluminium scrap. Raw material costs have been a major contributor to the total costs comprising around 80 to 85%. The company is exposed to raw material price volatility risk due to volatility associated in the prices of aluminium.

- **Intense competition**

The downstream secondary aluminium ingot industry is highly fragmented with a large number of organised and unorganised players. The industry faces intense competition given the low capital investment and technical expertise required. The same has constrained the company's profitability. The company's operations will continue to remain exposed to intense competition.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive largely due to higher working capital requirements as MMIPL needs to store inventory which mainly consists of raw materials and finished goods which is mainly against confirmed orders. Also, due to price discounts MMIPL purchases raw materials on advance basis. MMIPL net working capital stood at 79 days at the end of FY24 (FY23: 90 days), with inventory days of 45 days (FY23:65 days). The working capital requirements are mainly met by working capital borrowings and the average utilisation at ~99% for last twelve months ended September 2024.



Press Release

- **Geographical and Customers & Supplier concentration risk**

MMIPL majorly sells to Chhatrapati Sambhaji Nagar with 71% of total sales in FY24. MMIPL faces customer concentration risk as around 99% of the revenue it derives from top 5 customers for FY24; however Infomerics derives benefits as these customers are reputed in nature and MMIPL has long standing relationships with these customers. MMIPL's top 5 suppliers of the company account for 89% of the total company's raw material supplies during FY24.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

MMIPL's liquidity is expected to remain adequate in medium term as the company is not having any planned capex and also expected adequate cash accruals ranging from Rs.8.93 crore to Rs.13.84 crore against repayments ranging from Rs.1.75 crore to Rs.4.11 crore during FY25 to FY27. The free cash and cash equivalents balance stood at Rs.0.14 crore as on March 31, 2024, while average working capital utilisation for the 12 months ended September 2024 remained high at ~99%. Current ratio stood at 1.61x as on March 31, 2024.

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 Chhatrapati Sambhaji Nagar and Osmanabad, with a total manufacturing capacity of 24,000 tonnes per annum. Mr. Shrikant Chandrakant Shelke and Mrs. Chandrabhabha Shrikant Shelke are the directors of the company.



Press Release

Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|----------------------------|----------------|----------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 208.68 | 244.48 |
| EBITDA | 10.24 | 10.38 |
| PAT | 3.19 | 3.72 |
| Total Debt | 61.73 | 45.99 |
| Tangible Net Worth | 25.82 | 29.54 |
| EBITDA Margin (%) | 4.91 | 4.25 |
| PAT Margin (%) | 1.53 | 1.52 |
| Overall Gearing Ratio (x) | 2.39 | 1.56 |
| Interest Coverage (x) | 1.91 | 2.09 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|-----------------------------|--------------------------------|------------------|---|---|---|
| | | Type (Long Term/Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | November 10, 2023 | September 12, 2022 | - |
| 1. | Cash Credit | Long Term | 36.00 | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BBB-/ Stable | - |
| 2. | Term Loan under UGECL | Long Term | 7.00 | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BBB-/ Stable | - |
| 3. | WCTL | Long Term | 2.33 | IVR BBB-/ Stable | IVR BBB-/ Stable | - | - |

Analytical Contacts:

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Press Release

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details



Press Release

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------------------|------|---------------------|---------------------|--------------------------|------------------------------------|--------------------------------|
| Cash Credit | - | - | - | - | 36.00 | IVR BBB-/ Stable |
| Term Loan under UGECL | - | - | - | Upto July 2026 | 7.00 | IVR BBB-/ Stable |
| WCTL | - | - | - | Upto December 2024 | 2.33 | IVR BBB-/ Stable |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MauliMetal-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.