



Press Release

Metamorphosis Engitech India Pvt. Ltd

September 27, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Fund Based Bank Facilities	6.00	IVR BBB- (Outlook:Stable) [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Fund Based Bank Facilities	10.00	IVR A3 [IVR A Three]	Assigned	Simple
Short Term Non-Fund Based Bank Facilities	34.00		Assigned	Simple
Total	50.00	INR Fifty Crores Only		

Detailed Rationale

The rating assigned to Metamorphosis Engitech India Pvt. Ltd factors in the strength from the experienced and resourceful promoter demonstrated by consistently infusing funds to support the business, moderate capital structure and well-established relationships with customers and suppliers.

The ratings further draw strength from improving revenue growth on a year-on-year basis as reported as per the audited FY22 and Q1FY23 aided by a healthy order inflow. The ratings also draw strength from established relationships with reputed customers which has enabled them to get repeat orders. However, the ratings remain constrained by the vulnerability of the company's profitability to volatility in key raw material prices and its nascent stage of operations.

The ratings are further constrained by the competition faced by the company from other organised and unorganised players from the industry.



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Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenues, profitability, and cash accrual, thereby further improving debt protection metrics
- Steady improvement and sustenance in Gross Current Asset (GCA) days, thereby improving financial risk profile of the company.

Downward Factors

- Steep decline in revenues leading to operational losses
- Withdrawal of support extended by promoters in form of unsecured loan resulting into significant deterioration in gearing levels
- Any large, debt-funded capex or sizeable stretch in the working capital cycle, impacting financial profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive Experience of the Promoter:** The promoter of the company Mr Girish Kulkarni holds a bachelor's degree from IIT, Mumbai and a master's degree in business administration from IIM, Ahmedabad. He has an experience of more than 3 decades in the industry. The management is assisted by a team of qualified professionals having experience in relevant fields. The promoters have been actively supporting the business with operational as well as financial assistance by way of fund infusion by way of unsecured loans at regular intervals over the past few years. The promoters have been infusing funds by way of equity, compulsory convertible debentures (CCDs) and unsecured loan/ICDs.
- **Well established relationship with customers and suppliers:** The company has established strong relationships with customers as well as suppliers. This has helped the company to build a basket of products to offer to its customers as well as get



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repeated orders from its customers as well as regular supplies from the suppliers. The company has forged relationships with large OEM customers like Bajaj Auto, Tata Motors etc which is expected to further improve its revenue profile. Although the customer concentration remains high, the company has been associated with these clients since the start of operations, resulting in repeat orders and mitigating client concentration risks to an extent. Also, the established client profile mitigates counterparty credit risks as well.

- **Strong Adjusted Tangible Net worth:** The adjusted Tangible Net Worth of the company stands strong at Rs 97.73cr in FY22 on account of infusion of funds by the promoters and directors in form of unsecured loans and CCDs which has led to a relatively low gearing of 0.66X in FY22.
- **Strong Order Book Position:** The company has a strong order book position in tune of Rs 51.66cr, expected to be completed till October 22 indicating short term revenue visibility.
- **Improving Scale Of Operations:** The company has commenced its trial production in late November 2018 and in January 2019 MEIPL finally started the commercial production of precision tubes; hence FY20 was first full year of operations. The revenues of the company have been increasing on a y-o-y basis. The company has reported a growth of 115.90% in FY22 from FY21. The company has further earned revenues in tune of 134.33cr till 20th September 2022, indicating the ability of the company to surpass the revenues earned in FY22. The company has further turned positive at an operating level since Q2FY22 and is expected to turn positive at PAT levels in FY23.

Key Rating Weaknesses

- **Competition in the Industry:** The ERW pipes market is very competitive with multiple large established players like APL Apollo, Surya Roshni, Tata Steel and Welspun Corp. As ERW pipes are standardised products and do not warrant a



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capital-intensive manufacturing process, entry barriers for new players are low, resulting in intense competition from unorganised players also. Despite its brand presence, the said factors constrain capacity utilisation and pricing power (and hence profitability) of the company.

- **Cyclical Nature:** The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to demand supply mismatch.
- **Nascent Stage of Operations:** The company has commenced its trial production in late November 2018 and in January 2019 MEIPL finally started the commercial production of precision tubes; hence FY20 was first full year of operations. MEIPL has reported total operating income (TOI) of Rs. 207.78 crores in FY22 as compared to Rs. 96.19 crores in FY21 and Rs.65.23 crore in FY20. Thus, the company has been able to demonstrate improvement in scale of revenues over the past three years. The company has reported a cash loss of Rs. 2.16 crores in FY22 as compared to cash loss of Rs. 12.72 crores in FY21 and Rs. 19.39 crore in FY20 respectively due to losses at operating levels till FY21 which turned positive in FY22.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria Of Assigning Rating Outlook](#)

Liquidity – Adequate



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The liquidity position of the company has remained adequate in FY22 as marked by average utilization of 59.57% for a period of January 22 to July 22. The current ratio remains moderate at 1.25X as on March 31, 2022. However, going ahead with an increase in revenues for FY23 due to pent up demand, the liquidity position of the company is expected to improve. The working capital cycle is also expected to remain comfortable and the same needs to be monitored going ahead.

About the Company

Metamorphosis Engitech India Pvt Ltd is IATF 16949:2016 & ISO 9000:2015 certified multiproduct engineering manufacturing company, founded in 2018. The company is a specialized manufacturer of the precision tube, Electric Resistance Welded (ERW), Drawn Over Mandrel (DOM)/ Cold Drawn Electric Welded (CEW) tubes. They supply their product in various sectors like General Engineering, Automobile, Construction and mining etc. MEIPL has the large manufacturing hub in 4100Sq.ft area. It has well equipped in-house Chemical and metallurgical lab and automated manufacturing machines. They have 250+ workforces. MEIPL focuses on customer's need and provides the innovative solutions with the help of their knowledge of value analysis and value engineering approach (VA-VE). MEIPL was the highest bidder in the auction held by Liquidators of assets of Innoventive Industries Ltd. They got the ownership of the assets in Sept 2018. MEIPL is a multiproduct engineering company specialized in manufacturing of precision tubes and tubular components. The company caters to various sectors such as automobile, general engineering, energy, construction and mining, etc. MEIPL bought two manufacturing facilities of Tube Division, Unit I at Sanaswadi, on Pune Nagar Road which is having a manufacturing capacity of 6,000 MT / Month of Electric Resistance Welded (ERW) tubes and Unit II Pimple Jagtap, on Pune Nagar Road which is having a manufacturing capacity of 2,500 MT / Month of Cold Drawn Electric Welded (CEW) tubes.

Financials (Standalone):

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	96.19	207.78



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EBITDA	-10.96	6.49
PAT	-16.24	-10.61
Total Debt	89.27	111.29
Tangible Networth (Adjusted)	77.52	97.73
Ratios		
EBITDA Margin (%)	-11.39	3.12
PAT Margin (%)	-16.78	-5.08
Overall Gearing Ratio (Adjusted) (x)	0.74	0.66

Status of non-cooperation with previous CRA: India Ratings and Research (Ind-Ra) has migrated Metamorphosis Engitech India Pvt Ltd.'s Long-Term & Short Term Rating to the non-cooperating category vide its press release dated 21st September 2022. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

Any other information: NA

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	2021-22	2020-21	2019-20
1.	Fund Based	Long Term	6.00	IVR BBB- (Outlook: Stable)	NA	NA	NA
2.	Fund Based	Short Term	10.00	IVR A3	NA	NA	NA
3.	Non-Fund Based	Short Term	34.00		NA	NA	NA
	Total*		50.00				

**Details in Annexure I*

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About Infomerics:



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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 Bank Facilities - Cash Credit	-	-	-	6.00	IVR BBB- (Outlook:Stable) [IVR Triple B Minus with Stable Outlook]
Short Term Fund Based Bank Facilities - Sales Bill Discounting	-	-	-	10.00	IVR A3 [IVR A Three]
Short Term Non Fund Based Bank Facilities - Letter of Credit	-	-	-	24.00	
Short Term Non Fund Based Bank Facilities - Letter of Credit - Proposed	-	-	-	10.00	



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

Annexure 3: Facility wise lender details

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

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: The Terms of sanction include standard covenants normally stipulated for such facilities.

Annexure 5: Complexity level of the rated Instruments/Facilities: NA

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 <http://www.infomerics.com>