



Press Release

Metamorphosis Engitech India Private Limited (MEIPL)

January 18, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	82.00 (Enhanced from Rs.40.00)	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed
Short Term Bank Facilities	75.00 (Enhanced from Rs.10.00)	IVR A3 [IVR A Three]	IVR A3 [IVR A Three]	Reaffirmed
Total	157.00 (Rupees One hundred Fifty-seven crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank loan facilities of Metamorphosis Engitech India Private Limited (MEIPL) derives strength from experienced and resourceful promoters demonstrated by consistently infusing funds to support the business along with qualified professional team, well-established relationships with customers and suppliers, comfortable capital structure and moderate debt coverage indicators and growing scale of operations coupled with strong order book position. The ratings however constrained by project implementation risk of ongoing capex, working capital intensive nature of operations, susceptibility of profitability to raw material price volatility, intense competition in the steel industry and exposure to cyclical in the steel industry.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operation along with sustenance in profitability margins thereby leading to overall improvement in cash accruals.



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- Improvement in the capital structure and debt protection metrics

Downward Factors

- Deterioration in capital structure due to any un-envisaged incremental borrowings
- Stretch in the working capital cycle negatively impacting liquidity position
- Any cost or time overrun in ongoing capex impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters along with qualified professional team**

Promoter of MEIPL has more than three decades of experience 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 infusion of funds.

- **Well established relationship with customers and suppliers**

The company has maintained strong relationships with their customers as well as suppliers. It helped to build a basket of products to offer to its customers as well as get repeated orders from its customers as well as to received regular supplies of require raw materials from its suppliers.

- **Comfortable capital structure and moderate debt coverage indicators**

The capital structure marked by overall gearing and TOL/ATNW has marginally declined on account of high utilization of its working capital limit as on balance sheet date and yet remained comfortable at 0.61x and 1.23x respectively in FY23 (FY22: 0.29x and 0.92x respectively). Despite the increase in interest cost, the interest coverage ratio improved at 1.17x in FY23 (FY22: 0.69x) mainly due to improvement in operating profit. Further MEIPL achieved cash accruals of Rs.3.24 crore in FY23 as against cash losses of Rs.2.16 crore in FY22.



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- **Growing scale of operations coupled with strong order book position**

The total operating income improved by 23% and remained at Rs.256.04 crore in FY23 (FY22: 207.78 crore) mainly on account of high value of order executed by the company coupled with value added products and increase in capacity utilization. Further MEIPL has reported revenue of Rs.138.18 crore at the end of 1HFY24. Thus, IVR expects MEIPL is likely to achieve revenue of Rs.352.46 crore in FY24 driven by strong order book position of Rs.145 crore, likely to be executed by FY24 coupled addition of new clients.

Key Rating Weaknesses

- **Ongoing debt funded capex to support operation.**

MEIPL has undertaken debt-funded capex to enhance its operational efficiencies in its existing premises, which enable the company to increase the production capacity by 1000MT/month, leading to improvement in the revenue by approx. Rs.10 crore per month. The capex of Rs.29.00 crore is being funded through a mix of debt (Rs.22.00 crore) and equity (Rs.7.00 crore). Till November 30, 2023, MEIPL incurred Rs.5.50 crore, funded through equity (Rs. 4.00 crore) and debt (Rs.1.50 crore), as MEIPL made upfront payment to suppliers for advance booking of require machineries, and balance will be pay at the time of dispatch stage. Further the said capex is ongoing process which involves of repairs/maintenance of the existing machineries parts, the company is expect that the process will complete in first quarter of FY25.

- **Working capital intensive nature of operations**

The operations of the firm are working capital intensive in nature with funds being blocked in inventory and debtors. The operating cycle has elongated at 84 days in FY23 (FY22: 65 days), due to increase inventory holding period, as the company engaged in specialized manufacturer of the precision tube where in the inventory remains as per the nature of the work.

- **Susceptibility of profitability to raw material price volatility**

The major raw materials for MEIPL are hot rolled (HR) coils and zinc, prices of which are market driven and exhibit volatility depending on the demand supply scenario. Also, raw



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material cost constituted ~80% of MEIPL's total cost of production and hence any volatility in price of raw material shall impact MEIPL's profitability.

- **Intense competition in the steel 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 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.

- **Exposure to cyclicity in the steel industry**

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.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The company generates sufficient cash accruals in order to meet its debt obligation in the past. Further the company maintains sufficient cash and bank balance to meet its liquidity requirements. The average Bank limit utilisation for the working capital facilities remained around 85% during the last twelve months ended as on November 30, 2023. The projected



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average DSCR remained more than 1.91x indicate comfortable liquidity position of the company in meeting its debt obligations. Further the current ratio remained above unity level as on March 31, 2023. Thus, the overall liquidity position of the company remained **Adequate**.

About the Company

Incorporated in 2018, MEIPL is a specialized manufacturer of the precision tube, Electric Resistance Welded (ERW), Drawn Over Mandrel (DOM), Cold Drawn Electric Welded (CEW) tubes and caters various sectors like General Engineering, Automobile, Construction and mining etc. MEIPL has two manufacturing facilities of Tube Division, Unit I located at Sanaswadi, Pune having installed capacity of 6,000 MT/Month of Electric Resistance Welded (ERW) tubes and Unit II located at Pimple Jagtap (Pune) having installed capacity of 2,500 MT/Month of Cold Drawn Electric Welded (CEW) tubes. The company has managed by Mr. Girish Nilkanth Kulkarni, Mr. Hemant Agarwal and Mr. Supriya Hrishikesh Kulkarni.

Financials (Standalone)*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	207.78	256.04
EBITDA	6.49	15.27
PAT	-10.61	-5.87
Total Debt	27.88	67.21
Adjusted Tangible Net worth	97.73	109.83
EBITDA Margin (%)	3.12	5.96
PAT Margin (%)	-5.09	-2.28
Overall Gearing Ratio (times)	0.29	0.61

**Classification as per Infomerics standards*

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 ratings 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: None



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Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-21	Date(s) & Rating(s) assigned in 2021-22
Press Release			15-Jan-2024		19-Dec-2023	27-Sept-2022	–
1.	Fund Based – Cash Credit	Long Term	30.00#	IVR BBB- / Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	–
2.	Fund Based – Cash Credit	Long Term	20.00	IVR BBB- / Stable	-	IVR BBB-/ Stable	
3.	Fund Based – Sales Bills Discounting	Long Term	10.00	IVR BBB- / Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	–
4.	Fund Based – Term Loan	Long Term	22.00*	IVR BBB- / Stable	–	–	–
5.	Non-Fund Based – Letter of Credit	Short Term	25.00	IVR A3	–	IVR BBB-/ Stable	–
6.	Non-Fund Based – Letter of Credit	Short Term	20.00	IVR A3	–	IVR BBB-/ Stable	–
7.	Non-Fund Based – Purchase Order	Short Term	10.00	IVR A3	–	–	–
8.	Non-Fund Based – PSR	Short Term	10.00	IVR A3	–	–	–
9.	Non-Fund Based – Letter of Credit	Short Term	10.00	IVR A3	IVR A3	IVR BBB-/ Stable	–

#Inland letter of credit facility of Rs.24.00 crore and PCL/PCFC limit of Rs.6.00 crore are sublimit of Cash Credit Limit

*Bank guarantee of Rs.5.00 crore and Letter of credit of Rs.22.00 crore is sub-limit of term loan.

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank 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
Long Term – Fund Based – Cash Credit	–	–	–	30.00#	IVR BBB-/ Stable
Long Term – Fund Based – Cash Credit	-	-	-	20.00	IVR BBB-/ Stable
Long Term – Fund Based – Sales Bills Discounting	–	–	–	10.00	IVR BBB-/ Stable
Long Term – Fund Based – Term Loan	-	-	-	22.00*	IVR BBB-/ Stable
Short Term – Non-Fund Based – Letter of Credit	-	-	-	20.00	IVR A3
Short Term – Non-Fund Based – Letter of Credit	–	–	–	25.00	IVR A3
Short Term – Non-Fund Based – Purchase order	-	-	-	10.00	IVR A3
Short Term – Non-Fund Based – PSR	-	-	-	10.00	IVR A3
Short Term – Non-Fund Based – Letter of Credit	-	-	-	10.00	IVR A3

#Inland letter of credit facility of Rs.24.00 crore and PCL/PCFC limit of Rs.6.00 crore are sublimit of Cash Credit Limit

*Bank guarantee of Rs.5.00 crore and Letter of credit of Rs.22.00 crore is sub-limit of term loan.

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-jan24.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.