

Press Release

Malwa Strips Private Limited

July 29, 2019



Rating downgraded

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE D (Downgraded)
Short Term Rating	ACUITE D (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B+**' (**read as ACUITE B Plus**) and short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 10.00 crore bank facilities of Malwa Strips Private Limited (MSPL).

The rating downgrade reflects continuous delays in debt servicing and overdrawing in the cash credit account for more than 30 days.

Malwa Strips Private Limited (MSPL), a Madhya Pradesh-based company was incorporated in 1987 by Mr. Dilip Doshi. MSPL is engaged in the business of manufacturing of copper strips, rods, bars, and insulated copper wires which finds application in infrastructure and power industry. MSPL has a total installed capacity of 1000 tonnes per annum.

Analytical Approach

Acuité has considered the standalone business risk profile of MSPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The promoter, Mr. Dilip Doshi has experience of more than four decades in the copper industry. MSPL has established relations with reputed customers in the construction and power industry which includes Indian Railways, Bharat Heavy Electricals Limited (BHEL) and Crompton Greaves.

Weaknesses

Delays in debt servicing

There have been persistence delays in timely debt servicing. There is overdrawing in the cash credit account for more than 30 days.

Below-Average financial risk profile

The financial risk profile of MSPL is below average marked by tangible net worth of Rs. 4.68 crore as on 31 March, 2018 which includes quasi-equity of Rs. 0.59 crore. The total debt of Rs. 8.22 crore outstanding as on 31 March, 2018 comprises Rs. 1.53 crore as term loan from the bank and Rs. 6.70 crore as working capital borrowings from the bank. The gearing is at 1.76 times as on 31 March, 2018 as against 1.52 times as on 31 March, 2017. Interest Coverage ratio stood at 1.22 times in FY2018 as against 1.49 times in FY2017. DSCR stood at 1.02 times in FY2018. The NCA/TD ratio stood at 0.05 times in FY2018 as against 0.07 times in FY2017.

Liquidity Position:

Liquidity position is stretched with respect to net cash accruals vis-à-vis its debt repayment obligations. The average bank limit utilisation stood at ~100.00 percent for the last six months ended June 2019. The current ratio stands at 1.44 times March 31, 2018. It has maintained unencumbered cash and bank balance of Rs. 0.66 crore as on March 31, 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.33	29.71	17.98
EBITDA	Rs. Cr.	2.09	1.62	1.56
PAT	Rs. Cr.	0.17	0.20	0.16
EBITDA Margin	(%)	9.37	5.45	8.69
PAT Margin	(%)	0.78	0.66	0.90
ROCE	(%)	15.92	15.29	15.80
Total Debt/Tangible Net Worth	Times	1.76	1.52	0.77
PBDIT/Interest	Times	1.22	1.49	1.74
Total Debt/PBDIT	Times	3.83	4.01	1.88
Gross Current Assets (Days)	Days	269	175	215

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

"Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups".

Applicable Criteria

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
01-June-2018	Cash Credit	Long Term	6.75	ACUITE B+/ Stable (Assigned)
	Bank guarantee/ Letter of guarantee	Short Term	3.25	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE D (Downgraded)
Bank guarantee/ Letter of guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE D (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Ayushi Rathore Analyst - Rating Operations Tel: 022-49294062 ayushi.rathore@acuite.in	

About Acuité Ratings & Research:

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