

## Press Release

### Muthalamman Metal Industries

May 08, 2017

#### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 5.95 Cr.
<b>Long Term Rating</b>	SMERA D
<b>Short Term Rating</b>	SMERA D

\* Refer Annexure for details

#### Rating Rationale

SMERA has downgraded long-term rating of '**SMERA D**' (**read as SMERA D**) and short term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 5.95 crore bank facilities of Muthalamman Metal Industries.

Muthalamman Metal Industries (MMI) was established as a partnership firm in 2006 by Mr. Sundralingam, Mrs. Jaya Sivakumar and Mr. Sivakumar (Chief Executive). The firm is engaged in the manufacturing of aluminium circles used to produce household utensils and cookware. The manufacturing unit is located at Kodungaiyur, Chennai.

#### Key Rating Drivers

##### Strengths

- Experienced management and moderate track record of operations**

MMI, established in 2006, is a Chennai-based partnership firm promoted by Mr. Sundralingam and Mrs. Jaya Sivakumar. The Chief Executive, Mr. Sivakumar has more than a decades experience in the aluminium utensil business.

- Moderate profitability**

The profitability of the firm remains moderate. The firm registered EBITDA of 11.91 percent in FY2016 compared to 12.34 percent in FY2015. The net margins stood at 1.34 percent in FY2016 as against 1.25 percent in FY2015. The RoCE stood at a moderate 15.58 percent for FY2016.

##### Weaknesses

- Delays observed in debt repayment**

The rating reflects on-going irregularities in repayment of instalments and interest on term loans on account of stretched and weak liquidity position.

- Average financial risk profile**

The financial risk profile continues to remain average marked by moderate gearing (debt-to-equity ratio) of 2.62 times as on March 31, 2016 as against 2.95 times as on March 31, 2015. The networth was low at Rs.2.36 cr as on March 31, 2016 as against Rs.1.74 cr as on March 31, 2015. The firm has moderate debt protection metrics marked by average interest coverage ratio of 1.60 times and DSCR of 1.54 times in FY2016. The NCA/TD stood at 0.08 times in FY2016 against 0.06 times in FY2015. The TOL/TNW levels have been comfortable at 2.94 times in FY2016.

- Working capital intensive operations**

MMI's operations continue to remain working capital intensive on account of gross current assets of around 148 days as on March 31, 2016 which improved from 182 days as on March 31, 2015. Further, the working capital cycle was stretched to 129 days as on March 31, 2016 and 131 days as

on March 31, 2015. The liquidity position of the firm remained stressed due to high debtor days over low creditor days. As informed by the banker, the cash credit limit of Rs. 2.50 cr has been fully utilised for the past six months ended February 2017. The current ratio stood at 1.56 times and unencumbered cash and bank balance was low at Rs.0.04 cr in FY2016.

**• Vulnerability of profit margins to volatility in raw material prices**

The operating margins of the firm declined to 11.91 percent in FY2016 due to increase in raw material overheads. The major expenses made by the firm were material overheads which accounted for around ~80 percent of total expenses in FY2016. Hence, the firm's profit margins are vulnerable to adverse fluctuations in prices of raw materials.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the entity.

**Outlook:**

**About the Rated Entity - Key Financials**

In FY2015-16, MMI reported net profit of Rs.0.17 cr on operating income of Rs.12.57 cr as against PAT of Rs.0.10 cr on operating income of Rs.8.05 cr in the previous year. The net worth stood at Rs.2.36 cr as on March 31, 2016 against Rs.1.74 cr a year earlier.

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Oct-2015	Cash Credit	Long Term	INR 2.5	SMERA B / Stable
	Letter of Credit/ Bank Guarantee	Short Term	INR 1.3	SMERA A4
	Term Loans	Long Term	INR 2.15	SMERA B / Stable

**\*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	2.50	SMERA D

Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA D
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA D
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.30	SMERA D

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## ABOUT SMERA

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