



## Press Release

### M P M PRIVATE LIMITED

October 17, 2018

#### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 48.00 Cr. (Enhanced from Rs.40.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB- / Outlook:Stable
<b>Long Term Rating</b>	ACUITE A3

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 39.73 crore bank facilities of M P M PRIVATE LIMITED (MPM).

Further, Acuité has assigned long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 8.27 crore bank facilities of M P M PRIVATE LIMITED. The outlook is '**Stable**'.

MPM, a Nagpur-based proprietorship firm established in 1984 was converted to private limited in 1996. Promoted by Mr. Deepak Chowdhary, the company is engaged in the manufacturing and trading of foundry consumables and additives for ferrous metal casting industry. The products find application in preparation of molds and core in the casting industry which in turn caters to auto component manufacturers. MPM has three manufacturing units at Nagpur (Maharashtra) with total installed capacity of 48,000 MTPA. Over the years, MPM has established its own brands including Lustron, Lustrol and LACLCA and markets its products through direct sales.

#### Analytical Approach

Acuité has considered the consolidated business and financial risk profile of MPM Private Limited and its subsidiaries, MPM Durran Refracoats Private Limited and MPM GTP Foundry Technologies Private Limited, to arrive at the rating. Together these entities are referred to as the MPM Group. The consolidation is in view of group's financials synergies and common management.

#### Key Rating Drivers

##### Strengths

- **Experienced promoters and established track record of operations**

The MPM group is engaged in the aforementioned business since over three decades. The promoters have over three decades of experience in the business. Acuité believes that the experience of the management and established position of the company will continue to help maintain good relations with customers and suppliers.

- **Growth in revenues**

MPM's operating income stood at Rs.118.60 crore in FY2018 compared to Rs.102.85 crore in FY2017 and Rs.96.14 crore in FY2016. The rise in revenue is on account of increase in orders from existing customers and addition of new customers. Further, for HY2019, the operating income stood at Rs.79.38 crore.

- **Healthy financial risk profile**

MPM's financial risk profile is healthy marked by net worth of Rs.24.69 crore as on 31 March, 2018. The gearing (debt to equity ratio) is low at 0.81 times as on 31 March, 2018 compared to 0.79 times as on 31 March, 2017. The total debt of Rs.19.95 crore mainly includes working capital loans to the tune of Rs.16.52 crore and term loan from bank of Rs. 3.43 crore as on 31 March, 2018. The Interest coverage ratio (ICR) is healthy and stood at 3.23 times for FY2018 as compared to 3.14 times for FY2017. The NCA/TD stood at 0.25 times in FY2018 as against 0.27 times in FY2017. Going forward, Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex.

### Weaknesses

- **Moderate working capital intensity**

The operations are moderately working capital intensive with Gross Current Assets (GCA) of 141 days (PY: 144 days) on account of moderate debtor and inventory levels of 81days and 49 days respectively in FY2018. Further, the average utilisation of working capital limits has been ~84 percent for the last six months ended August 2018.

- **Profitability susceptible to volatility in raw material prices and foreign exchange fluctuation risk**

MPM's operating profitability is susceptible to volatility in raw material prices (mainly ferro silicon, graphite, and coking coal) which are procured locally and also imported from countries mainly China, Singapore and USA to name a few. While the company has forward cover hedge to an extent, it is exposed to forex risk for its un-hedged imports and exports.

- **Competitive and fragmented iron and steel industry**

The company operates in the iron and steel industry. The sector is marked by the presence of several mid to big size players. The company faces intense competition from other players in the sector.

### Outlook: Stable

Acuité believes that the outlook on MPM will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, higher than envisaged debt funded capex or working capital requirements deteriorating the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	118.60	102.85	96.14
EBITDA	Rs. Cr.	9.85	10.80	9.46
PAT	Rs. Cr.	3.76	3.72	4.02
EBITDA Margin	(%)	8.31	10.50	9.84
PAT Margin	(%)	3.17	3.62	4.19
ROCE	(%)	20.63	24.60	23.93
Total Debt/Tangible Net Worth	Times	0.81	0.79	1.22
PBDIT/Interest	Times	3.23	3.14	2.62
Total Debt/PBDIT	Times	1.98	1.50	1.99
Gross Current Assets (Days)	Days	141	144	155

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-4.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Nov-2017	Cash Credit	Long Term	21.00	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long Term	5.40	ACUITE BBB-/ Stable (Reaffirmed)
	Standby Line of Credit	Long Term	1.00	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short Term	11.50	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	1.10	ACUITE BBB-/ Stable (Reaffirmed)
25-Sep-2017	Cash Credit	Long Term	21.00 (enhanced from Rs.9.00 Cr)	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long Term	5.40	ACUITE BBB-/ Stable (Assigned)
	Standby Line of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	11.50	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	1.10	ACUITE BBB-/ Stable (Assigned)
16-Sep-2017	Cash Credit	Long Term	9.00	ACUITE BBB-/ Stable (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	21.00	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	February, 2022	2.73	ACUITE BBB-/ Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A3 (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB-/ Stable (Assigned)
Proposed Open Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/ Stable (Assigned)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.27	ACUITE BBB-/ Stable (Assigned)

**Contacts**

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Aishwarya Phalke Analyst - Rating Operations Tel: 022 49294054 <a href="mailto:aishwarya.phalke@acuiteratings.in">aishwarya.phalke@acuiteratings.in</a>	

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.