



Press Release

M P M PRIVATE LIMITED

October 17, 2018

Rating Reaffirmed and Assigned

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

* Refer Annexure for details

Rating Rationale

Acuite 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, Acuite 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

Acuite 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 financial 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. Acuite 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, Acuite 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 81 days 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

Acuite 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

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About Acuite Ratings & Research:

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