



Press Release

Malnad Alloy Castings Private Limited

October 19, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 29.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.29.00 crore bank facilities of MALNAD ALLOY CASTINGS PRIVATE LIMITED (MACPL). The outlook is '**Stable**'.

MACPL was set up by Mr. H C Raveendranath and Mr. Y V Madhukar Jois in 1983 as a Karnataka based company. The company is engaged in manufacturing of valve components, hydraulic components, pump components and customised castings.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Malnad Alloy Castings Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company have more than three decades of experience in the iron industry. This long track record of operations has helped them establish good relationships with customers and suppliers.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 187 days in FY2018 (Provisional) as against 231 days in FY2017. The inventory days are high at 74 days in FY2018 (Provisional) as against 91 days in FY2017. The debtor days stood at 109 days in FY2018 (Provisional) as against 100 days in FY2017.

- **Average financial risk profile**

The financial risk profile stood moderate with above average net worth, above average gearing and moderate debt protection metrics. The net worth stood at Rs.17.62 crore in FY2018 (Provisional) as against Rs.17.28 crore in FY2017. The gearing of the company stood at 1.46 times in FY2018 (Provisional) as against 1.56 times in FY2017. The total debt of Rs.25.66 crore consists of term loan of Rs.6.58 crore and short term facilities of Rs.19.08 crore in FY2018 (Provisional). Interest Coverage Ratio (ICR) stood at 1.91 times in FY2018 (Provisional) as against 1.00 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.86 times in FY2018 (Provisional) as against 0.43 times in FY2017. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times in FY2018 (Provisional) as against (0.02) times in FY2017.

Outlook: Stable

Acuité believes that the outlook on MACPL will remain 'Stable' over the medium term backed by the experience of its management. The outlook maybe revised to 'Positive' in case of improvement in the financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in the financial risk profile or a stretch in the working capitalcycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	86.79	62.82	84.97
EBITDA	Rs. Cr.	5.59	3.04	4.82
PAT	Rs. Cr.	0.75	-2.30	0.31
EBITDA Margin	(%)	6.44	4.84	5.67
PAT Margin	(%)	0.87	-3.66	0.37
ROCE	(%)	8.65	2.85	14.53
Total Debt/Tangible Net Worth	Times	1.46	1.56	1.40
PBDIT/Interest	Times	1.91	1.00	1.79
Total Debt/PBDIT	Times	4.50	8.38	5.39
Gross Current Assets (Days)	Days	187	231	185

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
25-Nov-2017	Cash Credit	Long Term	5.50	ACUITE B+ / Stable (Assigned)
	Secured Overdraft	Long Term	3.00	ACUITE B+ / Stable (Assigned)
	Standby Line of Credit	Short Term	1.00	ACUITE B+ / Stable (Assigned)
	Post Shipment Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	7.50	ACUITE A4 (Assigned)
	Secured Overdraft	Long Term	0.10	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.56	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	4.84	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.00	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	5.50	ACUITE B+ / Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable (Reaffirmed)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)
Pre-Shipment Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Reaffirmed)
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A4 (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE B+ / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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