

Press Release

Morewell Tubes Private Limited (MTPL)

January 29, 2020

Rating Assigned



Total Bank Facilities Rated	Rs. 20.00 crore
Long Term Rating	ACUITE B+/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating to **'ACUITE B+' (read as ACUITE B plus)** to the Rs 20.00 crore bank facilities of Morewell Tubes Private Limited (MTPL). The outlook is **'Stable'**.

Incorporated in January 2012, Morewell Tubes Private Limited (MTPL) is a Muzaffarnagar, Uttar Pradesh based company engaged in manufacturing of High Frequency Induction Welding (HFIW) carbon steel tubes which started its operations from April 2019. The company is currently being managed by its directors Mr. Fakir Chand Mogha, Mr. Divanshu Mogha and Mr. Rajat Kumar Mogha. The company procures raw material HR foil sheet from distributors of SAIL, Reliance Steel Industries and Tata Steel based out of Uttar Pradesh and currently caters to customers located in Uttar Pradesh and Delhi.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

Mr. Fakir Chand Mogha, the Managing Director of the company is well qualified Mechanical Engineer and has experience of business, accounting and administration skills. He has been in the industry for more than a decade. Acuite believes the company will be benefitted over the medium term on account of experience of the promoter.

Weaknesses

- **Nascent stage of operation**

MTPL's scale of operations is at nascent stage as it started its commercial operations from April, 2019. The operating revenue for FY2019 stood at Rs 2.64 crore from the trading of the steel pipes. Further, the company has booked revenue of Rs 6.23 crore for 8 months ended November, 2019 (Provisional).

Rating Sensitivity

- Stabilisation in its operations

Material Covenants

None

Liquidity Profile

The company's liquidity profile is stretched marked by its low cash accruals due to its initial stage of operations. The company generated cash accruals of Rs 0.01 crore in FY2019 on account of first year of operation. The stretched liquidity is also marked by nearly 80 percent utilization of working capital limit. The company maintains unencumbered cash and bank balances of Rs 0.60 crore as on 31st March, 2019. The current ratio of the company stood at 5.95 times as on 31st March, 2019. The liquidity of the company is expected to remain stretched due to its initial years of operation.

Outlook: Stable

ACUITE believes the outlook on MTPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to "Positive" in case of

significant growth in operating revenue. Conversely, the outlook may be revised to "Negative" in case of decline in the revenues or profitability, or a higher working capital requirement deteriorating capital structure or liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)
Operating Income	Rs. Cr.	2.64
PAT	Rs. Cr.	0.01
PAT Margin	(%)	0.46
Total Debt/Tangible Net Worth	Times	1.31
PBDIT/Interest	Times	-

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities- <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)

Not Applicable

*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	7.00	ACUITE B+ (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ (Assigned)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	4.69	ACUITE B+ (Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.31	ACUITE B+ (Assigned)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI

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