

RATING RATIONALE

07 Feb 2020

Mantri Metallics Pvt Ltd

Brickwork Ratings revised/reaffirmed ratings for the Outstanding Non-Convertible Debentures of Rs. 35.58 Crores and Bank Loan facility of Rs. 58 Crs of Mantri Metallics Pvt Ltd ('MMPL' or 'the Company')

Particulars:

Facility/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep,2019)	Present
Fund based	40.00	40.00	Long Term	BWR B- Stable	BWR C (Downgraded)
Non Fund Based	18.00	18.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
NCD	37.50	35.58	Long Term	BWR B- Stable	BWR C (Downgraded)
Total	95.50	93.58	Rupees Ninety Three Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD is provided in Annexure-I&II

Rating: Downgraded

RATING ACTION / OUTLOOK

The rating downgrade is driven by the stretched liquidity profile of the Company indicative from the extension obtained for the payment of debt obligations towards the Non Convertible Debentures. Further, MMPL's operating performance is expected to remain subdued over the medium term owing to the slowdown in the domestic automobile industry. However it is noted that the Company has achieved revenue of Rs.352.52 Crs in FY19 as against Rs. 267.98 Crs in FY18 in spite of slowdown in the automobile industry. Further during H1FY20 the Company has achieved revenue of Rs. 119.29 Crs, which points to the effects of the general economic slowdown taking its toll on the Company.

BWR has factored the extensive experience of its promoters in the auto component manufacturing industry, established relationships with original equipment manufacturers (OEMs) and order book position of Rs.348.19 Crs.



The Company has sought modification in terms/conditions and repayment schedule of NCD. As per the revised term sheet the maturity date has been extended to 15 August 2020 from earlier date of 02 November 2021. The approval in respect of modification of terms/conditions and extension of repayment of said NCD has already been accorded by its investors.

Structure of NCD post restructuring:

- The schedule for repayment of debt restructured is Rs.8.17 Crs in FY21, Rs.18.13 Crs in FY22 and Rs.9.28 Crs in FY23 with coupon of 14% p.a (payable monthly). Further upon approval from respective authorities ISIN for the rated NCDs has been changed to INE466V07026 from INE466V07018.
- **Acceleration of Principal Repayment:** If the consolidated EBITDA of the Company is greater than Rs. 28 Crs for FY20, Rs. 30 Crs for FY21 and Rs.33 Crs for FY22, the Investors will be entitled to accelerate the principal repayment of the said NCDs on a date not exceeding 45 days from the close of the financial year, at the sole discretion of Investor. This acceleration of principal shall be over and above the restructured schedule as above.
- **Asset monetisation:** The Promoters shall monetize any of the assets such that at least Rs. 4.5 Crs is generated from asset sale proceeds and the sale proceeds shall be fully utilized towards NCD debt servicing. The above asset monetization shall be completed on or before March 31st, 2020 and the amount shall be utilized for payment of NCD not later than 15 April 2020. In the event of failure to monetise assets within the said time frame, the Promoter undertakes to infuse an equivalent amount of promoter contribution by way of equity/sale of any other asset. Failure to consummate either of the above shall constitute an Event of Default.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced management and long operational track record:** The promoters have experience of over two decades in the auto ancillary industry. The Company has been in this business for the last 24 years.
- **Established relationships with customers and healthy order book position:** The company has long and established relationships with its customers viz., John Deere, Tata Motors Ltd, Ashok Leyland Ltd, Daimler India etc. The Company has orders in hand of around Rs. 348.19 Crs, which ensures revenue visibility in the near term.

Credit Risks:

- **Expected decline in topline and profitability on account of low demand from end user industries:** MMPL mainly caters to the automotive industry, which is currently facing downturn. Hence the Company is expected to generate lower revenue and profitability in the near future.
- **Weak financial risk profile:** Financial risk profile is expected to remain weak over the medium term. MMPL has a moderate tangible net worth of Rs.33.77 Crs and high gearing of



3.90times as on 31st March 2019. Modest profitability and high debt have also resulted in weak debt protection metrics, with interest coverage of 1.30 times and DSCR of 0.95 time in FY19.

- **Volatile raw material prices:** The profitability of the auto component manufacturers is expected to dip in FY20 in line with that of the major auto companies. Any adverse movement in prices of the steel products may further deteriorate the margins due to the limited pricing flexibility of the market players.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has principally relied upon the audited financials of the company upto FY19, projections till FY21, publicly available information and information/clarification provided by the management of the company. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Any significant increase in debt, beyond the anticipated levels, would be a key rating sensitivity.

Positive: The Company is able to achieve significant growth in revenue and profitability backed by favourable demand prospects, sustained improvement in capital structure, coverage indicators and working capital management.

Negative: Lower than expected growth in revenues and profitability coupled with further increase in the working-capital requirements of the company adversely impacting the liquidity position of the Company

LIQUIDITY POSITION

Liquidity profile of the Company is stretched with limited cushion available in working capital facilities. Cash balance and Current ratio stood at 0.48 Crs and 1.10 times respectively as on FY19. As per revised term sheet the principal repayment is Rs.16.68 Crs in FY21. Out of total repayment of Rs. 16.68 Crs Rs.4.50 Crs is expected to be repaid from asset monetisation.

COMPANY PROFILE

Mantri Metalics Private Limited (MMPL) was incorporated in 1995 at Kolhapur, Maharashtra. The company began its operations as a dealer of foundry raw material and commenced manufacturing operations in 1996. MMPL is primarily engaged in manufacturing and distribution of auto parts primarily to OEMs. MMPL caters to a diversified segment viz.; heavy commercial vehicles, light commercial vehicles, tractors, passenger cars and non-automotive components for diesel engines and engineering products. The Company has two manufacturing units located at Shirol, Kolhapur and Pantnagar, Uttarakhand having capacities of 1,000 and 500 MT p.m. respectively.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	267.98	352.52
EBITDA	Rs in Crs	25.78	32.44
PAT	Rs in Crs	8.11	7.75
Tangible Networkth	Rs in Crs	32.61	32.77
Debt/Equity Ratio	Times	3.89	3.90
Current Ratio	Times	1.11	1.10

KEY COVENANTS OF THE INSTRUMENT RATED: As mentioned in Structure of the NCD

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY

Facilities/ Instrument	Current Rating			Rating History		
	Tenure	Amt (₹ Cr)	Rating	6 Sep 2019	6 Sep 2018	15 Sep 2017
Fund Based	Long Term	40.00	BWR C	BWR B-Stable	BWR B-Stable	BWR C
Non Fund Based	Short Term	18.00	BWR A4	BWR A4	BWR A4	BWR A4
NCD	5 Years	35.58	BWR C	BWR B-Stable	BWR B-Stable	BWR C
Total		93.58	Rupees Ninety Three Crores and Fifty Eight Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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**Mantri Metallics Pvt Ltd
ANNEXURE I**

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	State Bank of India	Cash credit	40.00	-	40.00
2.		(Sublimit of Cash credit- EPC)	-	(10.00)	(10.00)
3.		Sublimit of CC- Post shipment credit	-	(5.00)	(5.00)
4.		Bank Guarantee	-	4.50	4.50
5.		Letter of Credit	-	13.50	13.50
TOTAL					58.00

Total Rupees Fifty Eight Crores Only.



ANNEXURE II
INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount in Crs (O/s as on 15 Jan 2020).	Coupon Rate	Maturity Date	ISIN Particulars
NCD	3 Nov 2016	35.58	14% p.a	15 Aug 2020 (5 Years)	INE466Vo7026

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