

Ratings

CRISIL

An S&P Global Company

Rating Rationale

September 26, 2019 | Mumbai

MMP Industries Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.43 Crore
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A2 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BBB+/Stable/CRISIL A2' ratings on the bank facilities of MMP Industries Limited (MMP).

The ratings continue to reflect the company's established position in the aluminium powder products industry, with continuous increase in scale of operations and established clientele, aided by the extensive experience of the promoters. The ratings also factor in healthy financial risk profile. These strengths are partially offset by vulnerability to volatility in raw material prices and working capital-intensive operations.

Key Rating Drivers & Detailed Description

Strengths:

* Extensive experience of the promoters:

The promoters have been in the aluminum powder industry for more than 30 years. Mr Arun Bhandari is a chemical engineer and has worked in the industry in various roles, gaining significant technical expertise and capability. Over the years, the promoters have updated technology through continuous research and development (R&D) and leveraged the same to build a strong clientele. Also, the promoters, with their market expertise, have continuously expanded capacity to meet increasing demand.

* Healthy financial risk profile:

The financial risk profile is supported by healthy networth of Rs 160.1 crore and low gearing of 0.23 time as on March 31, 2019. Debt protection metrics were healthy, as indicated by interest coverage and net cash accrual to total debt ratios of 10.5 times and 0.62 time, respectively, in fiscal 2019.

Weaknesses:

* Vulnerability to volatility in raw material prices:

Prices of raw materials such as aluminium ingots and foils, which account for nearly 75% of sales, are volatile and governed by demand-supply dynamics. The company may be able to pass on increase in input prices partially and with a time lag, leading to volatility in operating margin.

* Working capital-intensive operations:

MMP's working capital-intensive operations are reflected in gross current assets (GCAs) (excluding cash) at 111 days as on March 31, 2019, driven by receivables of 86 days, moderate inventory of 39 days, and no open credit from suppliers. Receivables increased from 69 days as on March 31, 2018, on account of delayed payment by electrical transmission and distribution contractors and extended credit given to joint venture company Toyal MMP Pvt Ltd.

Liquidity: Adequate

Liquidity should remain adequate. Net cash accrual was healthy at Rs 23.16 crore, comfortably covering term debt obligation of Rs 2 crore, in fiscal 2019. Cash accrual is expected at Rs 22-24 crore per fiscal, against debt obligation of Rs 2.8 crore, over the medium term. Bank limit utilisation averaged 21% during the 12 months through August 2019. MMP undertook capex of Rs 65 crore completed in September 2019, which was funded entirely through proceeds from the IPO and internal accrual.

Outlook: Stable

CRISIL believes MMP will continue to benefit from its established presence in the aluminum powder products industry and the extensive experience of its promoters.

Rating sensitivity factors:

Upward factor

* Sustained revenue growth of over 15% per fiscal backed by increasing capacity utilization and successful ramp up of operations from recently completed capacity expansion and improving its operating margins

- * Improvement in working capital cycle
- * Sustenance of capital structure

Downward factor

- * Decline in revenue by over 10% or in the operating margin to below 10%
- * Increase in working capital requirement, larger-than-expected, debt-funded capex or acquisition, or more-than-expected dividend payout, weakening the financial risk profile and liquidity

About the Company

Incorporated in 1984 and based in Nagpur, Maharashtra, MMP is promoted by Mr Arun Bhandari and his father-in-law Mr P M Lodha. The company manufactures aluminium-based products such as pyro and flake aluminium powder, atomised aluminium powder, aluminium paste, and aluminium conductors.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	260.8	242.8
Profit After Tax (PAT)	Rs crore	20.37	13.3
PAT Margin	%	7.81	5.47
Adjusted debt/adjusted networth	Times	0.23	0.42
Interest coverage	Times	10.56	7.81

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue Size (Rs crore)	Rating assigned with outlook
NA	Bill Discounting	NA	NA	NA	3	CRISIL A2
NA	Cash Credit	NA	NA	NA	29	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	8	CRISIL A2
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	3	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	35.00	CRISIL BBB+/Stable/ CRISIL A2			29-09-18	CRISIL BBB+/Stable/ CRISIL A2	12-09-17	CRISIL BBB/Stable/ CRISIL A3+	22-08-16	CRISIL BBB-/Positive/ CRISIL A3	CRISIL BBB-/Stable/ CRISIL A3
Non Fund-based Bank Facilities	LT/ST	8.00	CRISIL A2			29-09-18	CRISIL A2	12-09-17	CRISIL A3+	22-08-16	CRISIL A3	CRISIL A3

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bill Discounting	3	CRISIL A2	Bill Discounting	3	CRISIL A2
Cash Credit	29	CRISIL BBB+/Stable	Cash Credit	29	CRISIL BBB+/Stable
Letter of Credit	8	CRISIL A2	Foreign Currency Term Loan	3	CRISIL BBB+/Stable
Proposed Fund-Based Bank Limits	3	CRISIL BBB+/Stable	Letter of Credit	8	CRISIL A2
Total	43	--	Total	43	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)[Rating criteria for manufacturing and service sector companies](#)**For further information contact:**

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