

## Rating Advisory

May 31, 2019 | Mumbai

### MMP Industries Limited

#### Advisory as on May 31, 2019

This rating advisory is provided in relation to the rating of MMP Industries Limited

The key rating sensitivity factors for the rating include:

- Scale of operations and profitability
- Working capital management
- Timely completion of capital expenditure (capex)

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from MMP Industries Limited (MMP) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If MMP continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the company:

MMP, incorporated in 1984, is promoted by Mr Arun Bhandari and his father-in-law Mr PM Lodha. The Nagpur (Maharashtra)-based entity manufactures aluminium-based products such as pyro and flake aluminium powder, atomised aluminium powder, aluminium paste, and aluminium conductors.

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## Rating Rationale

September 29, 2018 | Mumbai

### MMP Industries Limited

Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.43 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Stable')</b>
<b>Short Term Rating</b>	<b>CRISIL A2 (Upgraded from 'CRISIL A3+')</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has upgraded its ratings on the bank facilities of MMP Industries Limited (MMP) to '**CRISIL BBB+/Stable/CRISIL A2**' from 'CRISIL BBB/Stable/CRISIL A3+'.

The upgrade reflects improvement in MMP's financial risk profile post initial public offering (IPO) with healthy networth and low gearing of Rs 65.2 crore and 0.2 time, respectively, as on March 31, 2018. Liquidity has also improved as some portion of the proceeds from IPO have been used to reduce utilisation of bank lines. The upgrade also factors in continuous improvement in business risk profile with 19% annual increase in revenue to Rs 243 crore in fiscal 2018 from Rs 203.5 crore in fiscal 2017 and expansion in operating margin to 12.4% from 10.5%.

The ratings continue to reflect MMP's established market position in the aluminium powder products industry, with continuous scale up of operations and established clientele; aided by the extensive experience of its promoters. The ratings also factor in the moderate financial risk profile. These strengths are partially offset by vulnerability to volatility in raw material prices.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* Extensive experience of the promoters:

Benefits from the promoters' experience of more than three decades, their in-depth knowledge of industry dynamics and established relationships with suppliers and customers should continue to support the business. Revenue has increased to Rs 243 crore in fiscal 2018 from Rs 157.5 crore in fiscal 2015.

##### \* Moderate financial risk profile:

Networth almost doubled to Rs 83.22 crore as on March 31, 2018 from Rs 46.4 crore a year ago on account of MMP going public. Gearing was also low at 0.42 time as on March 31, 2018. Debt protection metrics are adequate as reflected in interest coverage and net cash accrual to total debt ratios of 7.8 times and 0.46 time, respectively, for fiscal 2018. Financial risk profile is expected to remain healthy over the medium term.

##### \* Credit availability and reduction in procurement costs due to agreements with suppliers:

MMP has entered into agreements with its suppliers, National Aluminium Company Ltd and Bharat Aluminium Company Ltd, for bulk procurement, which ensures raw material availability, reduced procurement costs, and letter of credit-backed supplies. This has allowed working capital cycle to remain stable.

##### Weakness

##### \* 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 mainly governed by demand-supply dynamics. The company may be able to pass on increase in input prices partially, leading to volatility in operating margin.

## Outlook: Stable

CRISIL believes MMP will continue to benefit from its established presence in the aluminium powder product industry and the extensive experience of its promoters. The outlook may be revised to 'Positive' if revenue and profitability increase and financial risk profile is stable. The outlook may be revised to 'Negative' if decline in revenue or profitability or any time or cost overrun in the ongoing capital expenditure weakens financial risk profile.

## About the Company

MMP, incorporated in 1984, is promoted by Mr Arun Bhandari and his father-in-law Mr PM Lodha. The Nagpur (Maharashtra)-based entity manufactures aluminium-based products such as pyro and flake aluminium powder, atomised aluminium powder, aluminium paste, and aluminium conductors.

## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs. crore	242.84	203.50
Profit after tax (PAT)	Rs. crore	15.37	14.49
PAT margin	%	6.33	7.12
Adjusted debt/adjusted networkth	Times	0.42	0.88
Interest coverage	Times	7.81	5.04

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	3.0	CRISIL A2
NA	Cash Credit	NA	NA	NA	29.0	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	8.0	CRISIL A2
NA	Foreign Currency Term Loan	NA	NA	18-May-19	3.0	CRISIL BBB+/Stable

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		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			12-09-17	CRISIL BBB/Stable/ CRISIL A3+	22-08-16	CRISIL BBB-/ Positive/ CRISIL A3	29-06-15	CRISIL BBB-/ Stable/ CRISIL A3	CRISIL BBB-/ Stable/ CRISIL A3
Non Fund-based Bank Facilities	LT/ST	8.00	CRISIL A2			12-09-17	CRISIL A3+	22-08-16	CRISIL A3	29-06-15	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 A3+
Cash Credit	29	CRISIL BBB+/Stable	Cash Credit	29	CRISIL BBB/Stable
Foreign Currency Term Loan	3	CRISIL BBB+/Stable	Foreign Currency Term Loan	3	CRISIL BBB/Stable
Letter of Credit	8	CRISIL A2	Letter of Credit	8	CRISIL A3+
<b>Total</b>	<b>43</b>	<b>--</b>	<b>Total</b>	<b>43</b>	<b>--</b>

## 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](#)

[Rating Criteria for Chemical Industry](#)

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