

July 17, 2024^(Revised)

Minex Metallurgical Company Limited: Placed on Rating Watch with Negative Implications

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Outstanding |
|--------------------------------|-----------------------------------|----------------------------------|---|
| Short Term – Fund Based limits | 70.00 | 70.00 | [ICRA]A1; placed on Rating Watch with Negative Implications |
| Short Term – Interchangeable | (70.00) | (70.00) | [ICRA]A1; placed on Rating Watch with Negative Implications |
| Total | 70.00 | 70.00 | |

*Instrument details are provided in Annexure-I

Rationale

Material Event

On July 8, 2024, the management of Minex Metallurgical Company Limited (MMCL; rated [ICRA]A1) informed ICRA about the ongoing demerger process for the company which would result into separation of the company's operations into three separate entities with formation of two new entities, namely Minex Melt Treatment Private Limited (MMTPL) and Minex Mincast Private Limited (MMPL), along with continuation of operations under the existing entity. MMCL will retain the alloys business, while the cored wire and wire feeder business will move to MMTPL and the casting powder business along with the treasury Investments will move to MMPL. The reason as stated by the management is to separate the operations of the three divisions under the existing entity (cored wire, alloys and casting powder) into three separate entities for increased focus on growth of individual business verticals. The effective date of the demerger will be April 1, 2024. The demerger is subject to receipt of requisite statutory and regulatory approvals with the demerger process presently awaiting NCLT approval.

Impact of Material Event

Based on the above development, ICRA has placed the rating outstanding for MMCL on Watch with Negative Implications. This is due to the expected reduction in the scale of operations and profitability of MMCL on a standalone basis owing to the demerger of the larger cored wire business into MMTPL. Also, the proposed movement of the surplus treasury funds to MMPL will significantly reduce the liquidity available with MMCL. ICRA will continue to monitor the developments of the demerger process and will take appropriate rating action post conclusion of the demerger and based on the resultant business and financial position of MMCL.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click Here](#)

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Iron & Steel |
| Parent/Group support | Not Applicable |

Consolidation/Standalone

Standalone

About the company

Incorporated in 1981 by Mr. Sukhendu Misra, MMCL manufactures metallurgical cored wires, ferro aluminium alloys, cored wire feeders, cast iron powder and aluminium master alloys. It has manufacturing facilities at Kalmeshwar, Nimji and Butibori in Nagpur and Vasai, Mumbai with an installed capacity of 20,000 MTPA for metallurgical cored wire/aluminium wire, 18,000 MTPA for aluminium master alloys/aluminium wire rods and 3,000 MTPA for cast-iron powder and 40 cored wire feeders.

Key financial indicators

| Standalone | FY2023 | FY2024* |
|--|--------|---------|
| Operating income | 429.5 | 370.3 |
| PAT | 18.6 | 35.6 |
| OPBDIT/OI | 5.1% | 7.1% |
| PAT/OI | 4.3% | 9.6% |
| Total outside liabilities/Tangible net worth (times) | 0.0 | 0.1 |
| Total debt/OPBDIT (times) | 0.4 | 0.9 |
| Interest coverage (times) | 6.7 | 28.3 |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | |
|-----------------------------|-------------------------|--------------------------|---|---|-------------------------|------------------------------|-------------------|
| | Type | Amount rated (Rs. crore) | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | |
| | | | Jul 17, 2024 | Nov 17, 2023 | Dec 01, 2022 | Oct 12, 2021 | Sep 24, 2021 |
| 1 Fund Based – Cash credit | Long Term | - | - | - | - | [ICRA]A+ (Stable); Withdrawn | [ICRA]A+ (Stable) |
| 2 Interchangeable | Long Term | - | - | - | - | [ICRA]A+ (Stable); Withdrawn | [ICRA]A+ (Stable) |
| 3 Fund based limits | Short Term | 70.00 | [ICRA]A1; Rating Watch with Negative Implications | [ICRA]A1 | [ICRA]A1 | [ICRA]A1 | [ICRA]A1 |
| 4 Interchangeable | Short Term | (70.00) | [ICRA]A1; Rating Watch with Negative Implications | [ICRA]A1 | [ICRA]A1 | [ICRA]A1 | - |
| 5 Fund based/Non Fund based | Short Term | - | - | - | - | - | [ICRA]A1 |

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|--------------------------------|----------------------|
| Short Term – Fund Based limits | Simple |
| Short Term – Interchangeable | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|--------------------------------|------------------|-------------|----------|--------------------------|---|
| NA | Short Term – Fund Based limits | - | - | - | 70.00 | [ICRA]A1; Rating watch with negative implications |
| NA | Short Term – Interchangeable | - | - | - | (70.00) | [ICRA]A1; Rating watch with negative implications |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

Rationale dated July 17, 2024 has been revised with following changes as below:

On page 2, in the rating history table the word withdrawn has been added for few instruments under column dated Oct 12, 2021.

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About ICRA Limited:

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Branches



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