



Minex Metallurgical Company Limited

Instrument	Amount Rated	Rating Action As in March 2015
Long-term, Fund-based Limits	135.0 (PY 111.00)	[ICRA]A (Stable) reaffirmed/assigned
Term Loan	USD 0.875 million (PY 2.0 million)	[ICRA]A (Stable) reaffirmed
Short-term, Fund-based / Non-fund based Limits	54.0 (PY 49.0)	[ICRA]A1 reaffirmed/assigned

PY: Previous Year

ICRA has reaffirmed the long-term rating to the Rs. 135.0 crore* (enhanced from Rs. 111.0 crore) fund-based bank facilities and the USD 0.875 million (reduced from USD 2.0 million) term loan of Minex Metallurgical Company Limited (MMCL)[†] at [ICRA]A (pronounced ICRA A). The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed the short-term rating to the Rs. 54.0 crore (enhanced from Rs. 49.0 crore) short-term fund-based/ non-fund based bank facilities of MMCL at [ICRA]A1 (pronounced ICRA A one). Though the term loan of the company is denominated in foreign currency, ICRA's rating for the same is on national rating scale, as distinct from an international rating scale.

The ratings reaffirmation takes into account improved domestic sales in the current year despite weak demand conditions in the domestic steel industry on account of good product quality. The ratings also take into account MMCL's comfortable capital structure and coverage indicators, notwithstanding some moderation in the current year. ICRA also notes significant experience of the promoters of MMCL in the manufacture of speciality alloying products; the company's diversified product portfolio; its reputed client base in the steel, foundry and aluminium industries and MMCL's status as one of the leading manufacturers of speciality alloying products in the domestic market.

The ratings are, however, constrained by the high working capital intensity of operations in current year on account of increased inventory levels. ICRA also notes the exposure of the company to volatility in foreign exchange rates, given that the company imported almost 38% of its raw material requirements in 2013-14 and exports are insufficient to provide full benefits of a natural hedge. The ratings also take into account decline in operating margins from 8.35% in 2013-14 to 7.21% during 9M-2014-15 on account of decline in higher margin export sales. The ratings also take into consideration cyclicity inherent in the steel and aluminium industries to which MMCL primarily caters and the limited value addition in the business leading to moderate profit margins.

Company Profile

MMCL was incorporated in 1981 as a private limited company and was subsequently converted into a public limited company in 2007. At present, the company has manufacturing capacities of 46,800 MT from multiple manufacturing locations near Nagpur for producing a diversified range of products, including spheroidising alloys, ferro aluminium, metallurgical cored wires, cored wire feeders and aluminium master alloys.

Recent Results

In 2013-14, MMCL reported a net profit of Rs. 19.94 crore on an operating income (OI) of Rs. 470.35 crore as compared to a net profit of Rs. 16.65 crore on an OI of Rs. 461.9 crore in 2012-13. During the period April to December 2014, MMCL reported a profit after tax of Rs. 14.42 crore on the back of an OI of Rs. 377.60 crore.

March 2015

* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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