

## Minex Metallurgical Company Limited

Instrument	Amount Rated	Rating Action As in May 2016
Long-term, Fund-based Limits	100.0	[ICRA]A (Stable) reaffirmed
Term Loan	Ni (reduced from USD 2 million)	
Short-term, Fund-based / Non-fund based Limits	19.0	[ICRA]A1 reaffirmed

ICRA has reaffirmed the long-term rating assigned to the Rs. 100.0 crore<sup>1</sup> (reduced from Rs. 135.0 crore) fund-based bank facilities of Minex Metallurgical Company Limited (MMCL)<sup>2</sup> at [ICRA]A (pronounced ICRA A). The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed the short-term rating assigned to the Rs. 19.0 crore (reduced from Rs. 54.0 crore) short-term fund-based/ non-fund based bank facilities of MMCL at [ICRA]A1 (pronounced ICRA A one).

The ratings reaffirmation takes into account improved operating margins of MMCL in FY2016 following cost optimisation measures employed by the company and its comfortable capital structure and coverage indicators with a sharp reduction in overall debt levels. The ratings also favourably factor in MMCL's position as a leading manufacturer of speciality alloying products in the domestic market and long experience of the promoters in this business. The ratings also take into consideration the company's diversified product portfolio and its reputed client base in the steel, foundry and aluminium industries.

The ratings are, however, constrained by a sharp drop in MMCL's revenues in the FY2016 due to fall in sales volumes and realizations and increased competitive intensity in the export markets, which led to a fall in its share of exports to 12% in FY2015 from 23% in FY2014. ICRA notes that weakened demand from the end user industries have adversely impacted the capacity utilisation levels of the company in FY2016, which have dropped to about 48% in 9M FY2016 from about 60% in FY2015. The company also remains exposed to volatility in foreign exchange rates, given that the company imported almost 50% of its raw material requirements in FY2015 and its exports are insufficient to provide full benefits of a natural hedge. The ratings are further tempered by the high inventory levels maintained by the company, which expose it to price risks, given the cyclicity inherent in the steel and aluminium industries.

### 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 FY2015, MMCL reported a net profit of Rs. 15.40 crore on an operating income (OI) of Rs. 479.26 crore as compared to a net profit of Rs. 19.94 crore on an OI of Rs. 470.35 crore in FY2014. In FY2016, as per the provisional results, MMCL reported a profit after tax of Rs. 14.29 crore on the back of an OI of Rs. 365.40 crore.

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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