

Mungi Engineers Private Limited

Instrument	Amount	Rating Action
Term loan facilities	Rs. 128.60 crore enhanced from Rs. 121.60 crore	[ICRA]A- (Stable) revised from [ICRA]BBB+ (Stable)
Cash Credit/PO Finance	Rs. 45.00 crore enhanced from Rs. 25.00 crore	[ICRA]A- (Stable) revised from [ICRA]BBB+ (Stable)
Short Term, fund based facilities	Rs. 44.00 crore enhanced from Rs. 16.00 crore	[ICRA]A2+ revised from [ICRA]A2
Long term/Short Term, non fund based facilities	Rs. 30.00 crore	[ICRA]A- (Stable) / [ICRA]A2+ assigned

ICRA has revised the long term rating assigned to the Rs. 121.60 crore¹ term loan facilities and Rs. 25.00 crore fund based facilities of Mungi Engineers Private Limited (MEPL)[†] to [ICRA]A- (pronounced ICRA A minus) from [ICRA]BBB+ (pronounced ICRA triple B plus). ICRA has also revised the short term rating assigned to Rs. 16.00 crore short term fund based facilities of MEPL to [ICRA]A2+ (pronounced ICRA A two plus) from [ICRA]A2 (pronounced ICRA A two). ICRA has also assigned a rating of [ICRA]A- (pronounced ICRA A minus) to Rs. 7.00 crore additional term loan facilities and Rs. 20 crore additional long term fund based facilities as well as a rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 28.00 crore short term fund based facilities of MEPL. Further, ICRA has assigned ratings of [ICRA]A- (pronounced ICRA A minus) and [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 30.00 crore long term/short term non fund based facilities of MEPL. The outlook on the long term rating is Stable.

The upgrade of ratings favourably factors in expected improvement in revenue performance in the current fiscal, driven by expansion of product portfolio as well as improvement in profitability due to higher value added products. The upgrade also takes into account considerable cash flows from incentives received by the company over last three years and expected additional inflows in the near future which will continue to support the capital structure in spite of sizeable capex plans. The ratings continue to reflect established relationship of the company with the M&M group and its high share of business with the group. MEPL's cash flows are adequately supported by joint investments made by most of its clients towards tool development which reduces upfront capital investments to be made by the company. While this limits risks arising from poor performance of models for which components are to be developed and supplied, gross margins are usually lower.

The ratings however remain constrained by modest return indicators on account of underutilization of fixed assets as well as investments in non revenue generating assets. The cash flow position of the company was impacted by sizeable capex incurred over last few years. While some support was derived from incentives received by the company; dependence on additional bank borrowings as well as timely receipt of incentives is likely to increase going forward. The ratings also incorporate the risks arising from limited client diversification with the M&M group accounting for more than 70% of its revenues. Though the company has added new clients in the portfolio over last few years, their share continues to remain modest. Going forward, improving capacity utilization levels would be essential for the company. Additionally, the ratings remain sensitive to timely receipt of incentives.

Company Profile

Mungi Engineers Private Limited (MEPL, "the company"), the largest company of the Mungi Group, was incorporated in 2004 and commenced commercial activity in 2006, with its first manufacturing facility at Nashik. Promoted by Mr. Vivek Mungi, the company is engaged in the manufacture of sheet metal components, assemblies and aggregates. MEPL's product profile consists of door assemblies, floor assemblies, axle tubes, banjo beam assemblies and complete bus body aggregates which it supplies to OEM's such as Mahindra & Mahindra (M&M), Ashok Leyland Limited (ALL), Tata Motors Limited (TML), etc. Presently the company has five manufacturing facilities with one each at Nashik and Zaheerabad and three located in Chakan near Pune.

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¹ 100 lakh = 1 crore = 10 million

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



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