

Martoppearl Alloys Private Limited

Instruments	Amount In Rs. Crore ¹	Rating Action
LT – Fund based Facilities	3.00	[ICRA]BB(S) (Stable) (upgraded from [ICRA]B)
LT-Unallocated facilities	1.25	ICRA]BB(S) (Stable) (upgraded from [ICRA]B)
ST- Non fund based facilities	2.75	[ICRA]A4(S) (reaffirmed)

ICRA has upgraded the long-term rating from [ICRA]B (pronounced ICRA B) to [ICRA]BB (S)² (pronounced ICRA double B S) to the Rs 3.00 Crore long-term fund based facilities and Rs 1.25 Crore unallocated facilities of Martoppearl Alloys Private Limited (MAPL/“The company”)³ ICRA has also reaffirmed the short-term rating at [ICRA]A4 (S) (pronounced ICRA A four S) to Rs. 2.75 crore short-term non-fund based facilities of the company. The outlook on the long term rating is Stable, The letter S in parenthesis suffixed to a rating symbol denotes that the rating is supported by a Letter of comfort.

The upgrade of the ratings to [ICRA]BB(S) / [ICRA]A4(S) factor in the credit enhancement provided in the form of a letter of comfort extended by Volta Impex Private Limited⁴ (VIPL) to MAPL. VIPL is a company promoted by Mr. M S R V Prasad, and is into export of engineering as well as non-engineering goods. As per the letter of comfort, VIPL shall provide any necessary support to MAPL for MAPL to meet its debt servicing obligations in a timely manner, as required. In addition, the standalone credit profile of MAPL draws support from the company’s diversification into a new business segment of manufacture of grinding media balls, which is expected to be relatively more stable and profitable than its existing steel castings segment. The company has been able to demonstrate a healthy growth in its operating income in FY2016 and H1 FY 2017 on the back of ramp-up of new grinding media ball division; the operating profitability margins also recorded improvement with the streamlining of the operations of the new segment during the H1FY2017 period. The ratings factor in healthy demand for the grinding media ball from the companies in the promoters’ group and domestic market which is expected to aid the revenue growth and profitability in the near term given the limited competition in this division compared to the castings division. The ratings also take into account the decade long experience of the promoters in the steel fabrication business, ability and reputation of the promoters in turning around new and distressed units, and their financial support in the form of equity and interest free unsecured loans. However the ratings continue to remain constrained by the fact that ~50% of revenues is still obtained from the castings division which is highly fragmented and competitive in nature and limits the pricing power of the company. The ratings are further constrained by the vulnerability of profits to the raw material price variations, inherent to the nature of this industry.

Going forward, the ability of the company to improve its financial profile with increase in scale of operations, improve profitability with ramp-up of high margin grinding media ball unit, and effectively manage its working capital requirements will remain the key rating drivers.

Company Profile

Martoppearl Alloys Private Limited (MAPL), incorporated in 1985 by Mr. M S R V Prasad, is engaged in manufacturing of iron and steel alloy castings. MAPL has manufacturing facilities at Patancheru, Andhra Pradesh with an installed capacity of 6,360 Metric Tonnes per Annum (MTPA). MAPL’s castings are majorly used in metallurgical, cement, mining and mineral, and thermal power industries. In FY 2015, the company diversified its business and started manufacturing grinding media ball with a total installed capacity of 6000 MTPA. The new unit became operational from March 2015. Mr. M S R V Prasad, Chairman & Managing Director, is a qualified and experienced metallurgical engineer, has more than 30 years experience in the steel industry.

¹ 100 lakh = 1 crore = 10 million

² To denote ratings assigned to entities based on Letter of comfort from a third-party, ICRA has started using the (S) suffix in place of (SO) suffix. The change in suffix is not to be construed as a change in credit rating. Please refer to ICRA’s website for more details.

³ For complete rating scale and definitions, please refer to ICRA’s website (www.icra.in) or other ICRA rating publications.

⁴ Part of the group of companies promoted by Mr. M S R V Prasad



Recent Results

According to the audited financials for FY2016, the company reported a net loss of Rs 0.77 crore on an operating income of Rs. 34.92 crore as against a net loss of Rs 0.93 crore on an operating income of Rs 22.78 crore in FY2015. The company reported profit before tax of Rs 1.32 Crore on an operating income of Rs 25.11 Crore as on H1 FY 2017.

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