

March 07, 2017

Marvel Technology and Tools Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long Term - Cash Credit	0.90	[ICRA]BB-(Stable); reaffirmed
Long Term - Term Loan	5.80	[ICRA]BB-(Stable); reaffirmed
Long Term - Unallocated	0.80 (reduced from 2.63)	[ICRA]BB-(Stable); reaffirmed
Short Term - Bank Guarantee	2.50 (increased from 1.50)	[ICRA]A4; reaffirmed

**Instrument details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed the long-term rating at [ICRA]BB- (pronounced ICRA double B minus)¹ assigned to the Rs. 0.90 crore cash credit facilities, Rs. 5.80 term loans and Rs. 0.80 crore unallocated limits of Marvel Technology and Tools Private Limited (MTTPL). ICRA has also reaffirmed short term rating at [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 2.50 crore non-fund based Bank Guarantee facilities of MTTPL. The outlook on the long-term rating is 'Stable'.

Rationale

The ratings continue to be constrained by MTTPL's small scale of operations in a segment characterised by moderate competition from the captive units of OEMs, and a few other players in the casting industry. The rating also recognizes the fact that the company has high client-concentration risk with ~43% of total sales in 11M FY17 coming from top two customers and more than 90% of total sales from the top ten customers in the past two years. Further, ICRA takes note of the working capital intensive nature of operations ; however due to faster collections in FY2016, the working capital intensity stood low at 4% and the susceptibility of revenues to cyclicalities in the automobile industry. The rating, however, positively factors in the long experience of the promoters in the field of casting dies under low pressure and the favourable demand prospects of the products used in the engine parts of two and four-wheeler vehicles. The rating also considers the company's reputed customer base comprising companies like Hero Motocorp Ltd, Yamaha Motor Company Limited, Mahindra Two Wheelers Ltd and etc. which mitigates the counterparty credit risks to a large extent. ICRA also takes note of the financial profile of MTTPL, characterized by healthy profitability, a moderate capital structure and comfortable coverage indicators. Going forward, the ability of the company to secure further orders, and improve its scale of operations and margins would be the key rating sensitivities.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit Strengths

- Promoters' experience in the field of low pressure die casting
- Favourable demand prospects of the products used in the engine parts of two and four wheeler vehicles
- Reputed customer base comprising companies like Hero Motocorp Ltd, Yamaha Motor Company Limited, Mahindra Two Wheelers Ltd and etc; mitigates the counterparty credit risks to a large extent
- Financial profile characterised by healthy profitability, moderate capital structure and comfortable coverage indicators

Credit Weakness

- Small scale of operations limits operational and financial flexibility to an extent
- Moderate competition from the captive units of OEMs, and a few other players in the casting industry
- High client concentration risk with top two customers contributing to ~43% of total sales in 11M FY17 and top ten customers contributing to more than 90% of total sales in the past two years
- Working capital intensive nature of operations; however due to faster collections in FY2016, the working capital intensity stood low at 4%
- Susceptibility of revenue to inherent cyclical nature of the automobile industry which is the primary costumer segment

Description of key rating drivers highlighted above:

MTTPL predominantly engaged in manufacturing of aluminum dies used for casting critical engine parts using the low pressure process. Since FY2016, the company started manufacturing few parts using high pressure process as well. The major product sold by the company in last two years has been cylinder heads. The piston dies, cylinder heads and water jackets are the major dies manufactured by the company, which are widely used for manufacturing of variety of parts of engine of the cars and two wheeler vehicles. The main customer of the company are Honda Motorcycle & Scotters India Pvt Ltd and Honda Motor India Pvt Ltd and sales to these two customers contributed close to 41% of total sales in FY16 and 43% in FY17(11M). The customer concentration of the company is high as top ten customers contributing more than 95% of total sales in FY16 and 11M FY17, however the company has reputed customer profile comprising companies like Hero Motocorp Ltd, Yamaha Motor Company Limited, Mahindra Two Wheelers Ltd and etc; mitigates the counterparty credit risks to a large extent.

Links to applicable Criteria

Corporate Credit Ratings: A Note on Methodology

About the Company:

Marvel Technology and Tools Private Limited was incorporated in the year 2008 as a private limited company. The directors of the company are Mr. M.A. Radhakrishna, Ms. S. Shailaja, Mr. M.R. Prashant, Mr. Arun Kumar Gupta and Mr. K Kiran Kumar. The company makes die casting under low pressure, used for casting critical engine parts using the low pressure process. Main facilities of the company are spread over three units in an area of 21500 sqft at Peenya Industrial area, Bangalore.

The company reported a net profit of Rs 1.67 crore on an operating income of Rs 20.45 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:

Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit	Long term	0.90	Mar 2017	Mar 2016	-	-
				[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	NA	NA
2	Term Loans	Long term	5.80	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	NA	NA
3	Unallocated	Long term	0.80	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	NA	NA
4	Bank Guarantee	Short term	2.50	[ICRA]A4	[ICRA]A4	NA	NA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund based – Cash Credit	-	-	-	0.90	[ICRA]BB- (Stable)
Fund based – Term Loans	-	-	Mar 2019, Nov 2021, Sep 2024	5.80	[ICRA]BB- (Stable)
Unallocated limits	-	-	-	0.80	[ICRA]BB- (Stable)
Non-Fund based – Bank Guarantee				2.50	[ICRA]A4

Source: Marvel Technology and Tools Private Limited

Name and Contact Details of the Rating Analyst(s):
Mr. K Ravichandran

+91-44-4596 4301

ravichandran@icraindia.com
Mrs. Ankita Sheth

91-80-4922 5513

ankita.sheth@icraindia.com
Mr. R Srinivasan

+91-44-4596 4315

r.srinivasan@icraindia.com
Ms. Divya Bonagiri

+91-80-4922 5517

divya.bonagiri@icraindia.com
Name and Contact Details of Relationship Contacts:
Mr. Jayanta Chatterjee

+91 80 43326401

jayantac@icraindia.com
About ICRA Limited:

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Registered Office

ICRA Limited

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office

Mr. Vivek Mathur

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata

Mr. Jayanta Roy

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500