

Rating Rationale

Brickwork Ratings upgrades the rating for Bank Loan facilities amounting to ₹ 160 Cr of M. M. Ceramics & Ferro Alloys to “BWR BBB+ (Outlook:Stable)” & “BWR A2” from “BWR BBB (Outlook:Stable)” & “BWR A3+”.

Brickwork Ratings (BWR) has upgraded the **Rating**¹ for the Bank Loan Facilities of M. M. Ceramics & Ferro Alloys (MMCFA or the Firm) as follows:

Facility	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Present Rating	Rating History
Cash Credit (Fund Based)	45.00	45.00	Long Term	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable [28 Dec 2015]
Letter of Credit (Non Fund Based)	115.00	115.00	Short Term	BWR A2 (BWR A Two)	BWR A3+ (BWR A Three Plus) [28 Dec 2015]
Total	160.00	160.00	INR One Hundred Sixty Crores Only		

BWR has principally relied upon the audited financial results up to FY16, projected financials up to FY17, publicly available information and clarifications provided by the firm.

The ratings upgrade reflects the Y-O-Y growth in financial profile, extensive experience of the promoters in the Ferro Alloys and Ferrous Scrap trading business, group's existence of four decades, established client relationships with reputed clientele, and moderate debt protection metrics of the firm. The ratings are, however, constrained by low margins due to the trading nature of the business, the impact of volatility in steel prices on the firm's profitability and stiff competition in the industry.

Background:

Established in 2002 as a partnership firm, M. M. Ceramics & Ferro Alloys (MMCFA), is engaged in trading of ferro alloys and base metals such as Nickel, Ferro Silicon, Magnesium, Manganese and Vanadium etc. The firm operates in Mumbai, Ahmedabad, Delhi, Haryana, Bhillai and Bangalore. The firm belongs to the MTC group which is a four decade old group in the industry. MMCFA imports around 25%-30% of its requirements from countries like Germany & China and also exports a small quantity.

Under the financial performance of the company, MMCFA's operating Margin improved to 4.09 % in FY 16 from 2.73% in FY 15. PAT Margin stood at 1.67% in FY 16 against 1.38 % in FY 15.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile:

MTC Group was promoted by Mr. Maganlal Mehta when he started Mehta Trading Corporation in 1974 as a proprietorship concern which subsequently got converted into a private limited company as an MTC Business Pvt Ltd. MMCFA is managed by Mr. Maganlal Mehta and his three sons – Mr. Narendra Mehta, Mr. Sanjay Mehta and Mr. Manoj Mehta, who are equal partners in the firm with an experience of 40 years, 28 years, 22 years and 20 years respectively in the industry.

Rating Outlook:

The outlook of the firm is expected to be stable for the current year. However, going forward, the ability of the firm to further improve its financial risk profile, increase its profitability indicators and maintain its capital structure would form the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.