

**Rating Rationale**

**M M Industrial Controls Pvt Ltd**

**Brickwork Ratings upgrades the long term ratings and withdraws the short term ratings for the Bank Loan Facilities of Rs 24.67 Crores of M M Industrial Controls Pvt Ltd**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2020)	Present
Fund based Cash Credit(SBI)	5.50	10.90	Long Term	BWR D Issuer Not Cooperating	BWR B Stable Upgrade
Cash Credit Allocated Limit(SBI)	-	0.10	Long Term		
Term Loan	3.93	-	Long Term		
WCTL(GECL)(SBI)	-	2.17	Long Term		
WCDL(CCECL) (SBI)	-	1.50	Long Term		
Proposed Term Loan from SIDBI	-	10.00	Long Term		
Non Fund Based Letter Of Credit (SBI)	0.60	-	Short Term	BWR D Issuer Not Cooperating	Ratings Withdrawn
Bank Guarantee (SBI)	0.25	-	ShortTerm	BWR D Issuer Not Cooperating	
<b>Total</b>	<b>10.28</b>	<b>24.67</b>	<b>INR Rs Twenty Four Crores and Sixty Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings. The client does not want to rate term loans of Rs 5.00 Crs and Rs 5.20 Crs from SBI..Complete details of Bank facilities is provided in Annexure-I

**Ratings: Long Term Rating Upgraded and Short Term Rating Withdrawn**

## **RATING ACTION / OUTLOOK**

The Rating Outlook is Stable because BWR expects that M M Industrial Controls Pvt Ltd or the company's financial risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## **KEY RATING DRIVERS:**

BWR has essentially relied on Audited financials upto FY 20, projections upto FY 23, publicly available information and information/clarification provided by company's management

The Rating upgrade takes into consideration, experience of promoters, moderate OPM, reputed clientele. The Ratings are constrained by high gearing, high TOL/TNW, Low DSCR, Low Tangible Net Worth, Low Current Ratio and effect of COVID-19 on the industry as a whole

## **Description of Key Rating Drivers**

### **Credit Strengths:**

- **Extensive Experience of Promoters:** Most of Promoters have experience of over two decades
- **Reputed Clientele:** The company has reputed clientele
- **Moderate OPM:** OPM has increased from 9.83% in FY 19 to 14.99% in FY 20

### **Credit Risks:**

- **High Gearing:** Gearing for FY 20 stands at 3.81 times
- **High TOL/TNW:** High TOL/TNW for FY 20 which stands at 4.45 times
- **Low DSCR:** The DSCR for FY 20 stands at 1.04 time
- **Low Tangible Net Worth:** Tangible Net Worth for FY 20 Aud stands at Rs 6.91 CRs
- **Low Current Ratio:** The current Ratio for FY 20 Aud stands at 0.98 times
- **Effect of COVID-19:** The Company's business is correlated with the overall economic activity level of the country. Given the current lockdown, the country's economic activities have come to an almost standstill. But, this is most likely to bring down the growth rate of the Indian economy and affect the Company's business operations due to delay in execution, a possible increase in labour cost due to migrant labourers' exodus to their native places, the possibility of decline in new projects and an increase in raw materials' cost due to supply chain disruptions

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). The Rating is defined by Standalone financials



## **RATING SENSITIVITIES**

Going forward the ability of the company to increase its revenues, improve profit margins, decrease gearing, improve current ratio and better working capital management shall be key rating sensitivities

**Positive:** The ratings may be upgraded if profitability, liquidity and overall credit profile show substantial improvement

**Negative:** The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level

## **Liquidity Position: Stretched**

The company's liquidity position is stretched, with current ratio of 0.98 times in FY 20 Aud. The Cash and Cash Equivalents have improved from Rs 0.11 Crs in FY 19 to Rs 0.75 Crs in FY 20 Aud. The Net Cash Accruals have decreased from Rs 2.03 CRs in FY 19 to Rs 1.74 Crs in FY 20 Aud. The Average CC Utilization from 1st April 2020 to 24 Nov 2020 is 70.38%

## **About the Company**

M. M. Industrial Controls Pvt Ltd. (MMICPL) was incorporated as a private limited company in 2001 (promoted in 1985 as M M Industries). It is promoted by Mr Sudhir Mande, a qualified engineer. The Company is a producer of sheet metal components, for sectors such as manufacturers of earth moving equipment, automobiles, telecom, etc. The main products are Operator Cabins, Hydraulic tanks, Fuel tanks, Silencers, engine covers and all types of Sheet Metal components. Process mainly includes cutting/bending of sheet metals and aluminium sheet/fabrication/welding and deburring. MMICL is situated in the Industrial Growth Centre at Bellur near Dharwad, which is an Industrial town in Karnataka State. Mr. Sudhir Mande, holds 75.00% of the equity of the company and is directly involved in day to day operations. He has more than 25 years of experience in this line. Mrs. Surabhi Mande and Mrs. K Sarswathi, and Mr Abhishek Mande are the other Share-holder Directors.

## **Company Financial Performance**

The company has reported TOI of Rs 33.09 Crs as per FY 19 Aud and TOI of Rs 23.67 Crs as per FY 20 Audited. The company has reported PAT of Rs 0.83 Crs as per FY 19 Aud and for FY 20 Audited PAT stands at Rs 0.74 Crs

### Key Financial Indicators

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	Rs in Crores	23.67	33.09
EBITDA	Rs in Crores	3.55	3.25
PAT	Rs in Crores	0.74	0.83
Tangible Net worth	Rs in Crores	6.91	6.24
Total Debt/Tangible Net worth	Times	3.81	3.23
Current Ratio	Times	0.98	0.89

### NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY -NA

### RATING HISTORY OF LAST THREE YEARS (Including withdrawn/suspended ratings)

S n o	Bank Loan	Current Rating (2020)			Rating History					
		Type	Amount Rs Crs	Rating	28.03.2020			2019	2018	2017
1	Bank Loan	Type	Amount Rs Crs	Rating	Type	Amount Rs Crs	Rating	-	--	---
		FB Long Term	24.67	BWR B Stable Upgrade	FB Long Term	9.43	BWR D Issuer Not cooperating			
2		NFB Short Term	-	Ratings Withdrawn	NFB Short Term	0.85				

RNR on 17 March 2017, Rating of BWR B+(Stable)/BWR A4 downgraded on 1 Dec 2015 for BLR of Rs 10.28 Crs

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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**M M Industrial Controls Pvt Ltd**  
**ANNEXURE I**  
**Details of Bank Facilities rated by BWR**

Sl. No.	Type of Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1)	Fund based Cash Credit(SBI)	10.90	-	10.90
2)	Cash Credit Allocated Limit(SBI)	0.10	-	0.10
3)	WCTL(GECL)(SBI)	2.17	-	2.17
4)	WCDL(CCECL) (SBI)	1.50	-	1.50
5)	Proposed Term Loan from SIDBI	10.00		10.00
<b>TOTAL</b>				<b>24.67</b>

**Total Rupees Twenty Four Crores and Sixty Seven Lakhs only.**

**ANNEXURE II**  
**INSTRUMENT (NCD/Bonds/CP) DETAILS**

<b>Instrument</b>	<b>Issue Date</b>	<b>Amount in Crs.</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>ISIN Particulars</b>
NA	NA	NA	NA	NA	NA

**ANNEXURE III**

**List of entities consolidated**

<b>Name of Entity</b>	<b>% ownership</b>	<b>Extent of consolidation</b>	<b>Rationale for consolidation</b>
NA	NA	NA	NA

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