



Rating Rationale

Mauria Udyog Limited

22 Aug 2019

Brickwork Ratings revises the ratings for the bank loan facilities of Mauria Udyog Limited.
Particulars

Facility	Previous Limits ₹ Crores	Present Limits ₹ Crores	Tenure	Rating History (March, 2018)	Review Ratings*
Fund Based Cash Credit	65.00	65.00	Long Term	BWR BBB- (Pronounced as <i>BWR Triple B Minus</i>) Outlook: Stable	BWR D (Pronounced as <i>BWR D</i>) <i>Downgrade</i>
Fund Based Pre/Post Shipment Credit	120.00	120.00	Short Term	BWR A3 (Pronounced as <i>BWR Single A Three</i>)	
Non Fund Based ILC/FLC/LOC/Buyers Credit	135.00	135.00	Short Term		
Total	320.00	320.00	INR Three Hundred Twenty Crores Only		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY18, FY19 financials, projections upto FY21 and publicly available information and information/clarification provided by the management.

While assigning the rating of ‘Mauria Udyog Limited’, BWR has taken into account the experienced promoters and established a track record of operations in gas cylinder business. However, the ratings are constrained by declining turnover and net profitability over the years, weak debt protection metrics, high gearing, stressed liquidity and delays in debt obligations.



Going forward, the company's ability to meet its debt obligation on time would be key sensitivities over short to medium term.

Key Rating Drivers

- **Established Track record** : The company has Long and established a track record of operations in the gas cylinder business with experienced promoters and management team as the company was incorporated in 1980.
- **Declined Turnover** : Total operating income(TOI) has declined from Rs 1358.16 Cr in FY18 to Rs 1188.36 in FY19 and PAT declined from Rs 7.98 Cr to Rs 4.31 Cr in FY19. Company have achieved a turnover of Rs 266.20 Cr and PAT of Rs 2.25 Cr till June,2019.
- **Leverage position** : Gearing(Total debt/TNW) of the company is high at 3.00X in FY18, though it has reduced to 2.45X in FY19.
- **Debt protection Metrics:** Company has weak debt protection metrics of 1.23X in FY18 and 1.26X in FY19 and DSCR of below 1.
- **Stressed Liquidity and Delay in Debt Service** : Receivables of the company are stretched at 125 days in FY19, which have an impact on the liquidity of the company. There are delays in servicing of debt as confirmed by the banker also.
- **Below average profit margins** :Net profit margin of the company has reduced from 0.59% in FY18 to 0.36% in FY19. However operating profit margin has improved from 4.29% in FY18 to 5.56% in FY19.

Liquidity :

Company had cash accruals (PAT +DEP) of Rs 13.06 Cr in FY18 and Rs 9.58 Cr in FY19).Cash & Cash Equivalent was Rs 15.48 Cr in FY19.The company has CPLTD of Rs 15 Cr to Rs 16 Cr to be repaid in FY20 and FY21.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.



About the Company

MUL (Mauria Udyog Limited) was incorporated in 1980 by the Sureka family comprising Mr V K Sureka, Mr N K Sureka and Mr A K Sureka. The operations of the company are managed by Mr N K Sureka (Managing Director). MUL is engaged in the manufacturing of cylinders, valves and regulators used for filling Liquefied Petroleum Gas (LPG) and other gases such as ammonia and refrigerants. MUL also manufactures 100% cotton terry towels at its facility located in Faridabad. The terry towels are sold under the brand name “Eurospa” and are sold domestically as well as exported to other countries. MUL is also engaged in the trading of agro-commodities such as soybean meal & cake and domestic trading of metals like steel, brass, copper and ferrous scrap.

Company’s Financial Performance

Particulars	Units	FY2018(A)	FY2019(A)
Net Sales/Revenue	Rs. Crores	1358.16	1188.36
EBIDTA	Rs. Crores	58.23	66.09
PAT	Rs. Crores	7.98	4.31
Tangible Networth	Rs. Crores	116.70	121.41
TOL : TNW Ratio	Times	5.13	4.37
Current Ratio	Times	1.41	1.48

Rating History : (including withdrawn/suspended ratings)

S.No	Instrument / Facility	Current Rating (Aug 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	March, 2018	2017	2016
1.	Cash Credit	Long Term	65.00		BWR BBB- (Pronounced as BWR Triple B Minus)		



				BWR D <i>(Pronounced as BWR D)</i>	Outlook: Stable		
2	Pre/Post Shipment Credit	Short Term	120.00	Downgrade	BWR A3 (pronounced as Single A Three)	NA	NA
3.	ILC/FLC /LOC	Short Term	135.00				
Total			320.00	INR Three Hundred Twenty Crores Only			

Status of non-cooperation with previous CRA – CARE Ratings moved the rating to Issuer Non Cooperation in June, 2019.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Trading Entities](#)
- [Short Term Debt](#)
- [Default Recognition Default Curing Period](#)

Analytical Contacts	Investor Contacts
<p>RK Sharma Senior Director - Ratings B :+91 11 2341 2232 rksharma@brickworkratings.com</p> <p>Raman Thakur Ratings Analyst B :+91 11 2341 2232 raman.t@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
1-860-425-2742	



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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.