

## Coral Manufacturing Works India Private Limited

January 04, 2023

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	64.75 (Enhanced from 60.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
<b>Total Bank Facilities</b>	<b>64.75</b> <b>(₹ Sixty-Four Crore and Seventy-Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Coral Manufacturing Works India Private Limited (CMW) is primarily constrained by nascent stage of operations with performance yet to pick up to envisaged levels, scaling up risk and exposure to raw material price volatility. The rating, however, derives benefits from qualified and experienced promoters and exclusive tie-up arrangement with Enercon with a minimum purchase obligation.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Scaling up of operations to envisaged levels and delivering the minimum committed offtake of 175 numbers on sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Early termination/non-Renewal of the agreement with Enercon.
- Any further losses on account of delay in scaling up of operations impacting the liquidity position
- Any significant delay in receipt of payment from Enercon beyond the stipulated period of 30 days in the initial years of operation.

### Detailed description of the key rating drivers

#### Key rating weaknesses

##### Nascent stage of operations business stabilization risk

The company was outset to manufacture and supply wind electric converter/generator (WEC) at the installed capacity of 250 units per annum, a component of windmill turbine to Enercon over a five-year period. The operations of the unit commenced in the end of September 2021 and the first lot of the supply was made in March 2022. The operations have scaled up to the envisaged levels only from the last two months as there was a delay in offtake from Enercon on account of impact of war as well as global slowdown. Although, the current year numbers are also expected to be below the envisaged levels, however Enercon has been compensating the company for off taking below the minimum purchase obligation. For the current year, the company expects to sell around 108 units against the original envisaged quantity of 175 numbers which is further expected to go up going forward. The company has already sold around 60 units till November 2022 thereby achieving the turnover of Rs.266 crores. The scaling up of the operations to the envisaged level shall continue to remain critical from credit perspective.

### Exposure to raw material price volatility

Major raw material requirement is met by way of purchase from vendors approved by Enercon which acts as a cushion from raw material price volatility. However, the company does not have any tie up for aluminium coils/consumables and any adverse movement in the raw material price without any corresponding movement in finished goods price might impact the performance of the company. The company also has a backward integration in an associate company, Coral Engineering Works India Pvt Ltd for sourcing of coils which provides some cushion in the form of keeping the margins intact.

### Key rating strengths

#### Qualified and experienced promoters

Mr.P.Rajaraman aged 63, is the promoter and managing director of CMW. The promoter started his career as the proprietor of a workshop in Erode which was later converted into a partnership firm by inducting his wife, Mrs. Krishnaveni and son, Mr K.R. Rajkumar as the other partners. The firm was later converted into a private limited company in June 2006 with the name, M/s

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Coral Rewinding India Private Limited. Later in 2010, Mr Rajarajan started another company named M/s Coral Coil India Private Limited, which is engaged in manufacture of LT and HT coils for supply to OEMs and also for captive consumption of CRIPL. Mr. Rajkumar has been assisting his father in business and mainly involved in marketing. He has arranged many expos abroad which helped Coral entities to get business in domestic and foreign market. Mr. Malayolickal George Joseph, another director has experience in supply of electrical insulation materials for more than four decades. He is the Managing Director of M/s New Gen Wires and Coils Private Limited, which is based in Bangalore and engaged in manufacture of insulated wires. He holds 35% stake in the company.

### Favourable outlook for wind energy globally

India, the world's fourth-largest wind power market, is expected to add nearly 20.2 GW of new wind power capacity over five years. This would increase the country's 39.2 GW wind market by nearly 50%. As of September 30, 2022, the total installed wind power capacity was around 41.66 gigawatts. India currently has a pipeline of projects of 10.3 GW in both central and state tenders, which are expected to drive installations until 2023. The market post-2023 will likely be driven by nearly 10 GW of new capacity awarded to wind projects, mainly through hybrid projects which are becoming increasingly important for the country's 'round-the-clock' power initiative.

### Exclusive tie-up agreement with Enercon for complete offtake

CMW has entered into exclusive tie-up arrangement for a period of five years with M/s. Enercon Wind Energy Private Limited (Enercon), Delhi, which is a subsidiary of one of the leading German based wind turbine manufacturer Ms. Enercon GmbH. The entire offtake shall be towards the export business of Enercon. Enercon has also invested into machineries deployed at the Coral factory and technicians from M/s. Enercon GmbH, Germany has also provided training for the workforce employed by CMW for the period of three months. CMW will procure raw materials from vendors nominated by ENERCON.

### Liquidity: Stretched

The company has commenced commercial operations from September 2021, and the repayment of TL as per the schedule commenced from April 2022. The company is having a monthly repayment obligation of Rs.0.65 crore. The company is yet to witness scaling up of operations and has been meeting its term loan obligations from the daily cash flows, promoter support as well as covid emergency loans availed during FY22. Apart from the term loan availed for the project, the company also has working capital limits of Rs.15 crores and average utilisation remains at 27% for 12-month period ended October 2022. The stabilization of operations and generation of adequate accruals shall remain critical from a credit perspective.

### Analytical approach: Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

### About the company

Coral Manufacturing Works India Private Limited (CMW) promoted by Mr. P. Rajarajan, Mr. K.R. Rajakumar & Mr. Malayolickal George Joseph in Erode, Tamil Nadu was incorporated in the year 2019. The company was incorporated to manufacture and supply wind electric converter/generator (WEC), a component used in the wind mill turbine to M/s. Enercon Wind Energy Private Limited (Enercon), Delhi, which is a subsidiary of one of the leading German based wind turbine manufacturer Ms. Enercon GmbH. Mr. P. Rajarajan holds 35%, Mr. K. R. Rajakumar Holds 30% and Mr. Malayolickal George Joseph holds 35% stake in CMW.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	8MFY23 (Prov.)
Total operating income	-	20.26	266.26
PBILDT	-	-0.76	NA
PAT	-	-2.13	NA
Overall gearing (times)	-	13.87	NA
Interest coverage (times)	-	NM	NA
Total Debt	42.40	89.56	NA
Net Worth	9.00	6.46	NA

A: Audited; Prov: Provisional; NM: Not Meaningful; NA: Not Available.

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

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2029	49.75	CARE BB+; Stable

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	49.75	CARE BB+; Stable	-	1)CARE BB+; Stable (26-Nov-21)	-	-
2	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable (26-Nov-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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