

Modison Metals Limited

October 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE A; Stable (Single A; Outlook: Stable); Outlook revised from Positive and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1 (A One) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE A; Stable/CARE A1' [Single A; Outlook: Stable/ A One] assigned to the bank facilities of Modison Metals Limited (MML) with immediate effect. The above action has been taken at the request of MML and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and long track record of operations: Modison Metals Limited was established by Mr. G.L. Modi in 1965 as a trading unit. A decade later in 1975, the first manufacturing facility was set up in Mumbai for refining of Silver and exporting it. Further in 1978, the promoter started manufacturing of electrical contacts. Mr. G. L. Modi has more than four decades of experience in electrical equipment industry and has been instrumental in establishing the company as one of the leading electrical contacts manufacturing company in India. Along with Shri G.L. Modi, his son Mr. Jay Kumar Modi, his relative Mr. Rajkumar Modi (both are Whole-time Directors) and Mr. Manish Kumar Srivastava, Joint-Managing Director, who in the past has worked with various big companies take care of the business. The promoters are well supported with a professional team in place to take care of key aspects of business.

Strong business profile being the market leader in India: MML is a leading manufacturer of electrical contacts for high, low and medium voltage (HV, LV & MV) switchgears in India and abroad. It is the only company in India and one of the few in the world to have presence in all three segments i.e. HV, MV and LV. MML enjoys strong market position in India and is known for its quality products in the electrical industry. LV (including MV) & HV contributes nearly 65% and 35% respectively to the overall revenues of the company.

Strong customer and supplier base; however, it is concentrated: MML's high dependence on customers and suppliers leads to concentration risk. However, long term relationship with these suppliers and customers as well as MML being the biggest domestic supplier to the switchgear manufacturers helps mitigate the risks to a large extent.

Consistent increase in scale of operations, however operations continue to remain moderate: Total Operating Income (TOI) has increased from Rs.224.81 crore in FY20 to Rs.293.09 crore in FY21 on account of increase in demand for switchgears. Moreover, the tangible networth of the company remained comfortable at Rs.164.11 crore as on March 31, 2021

Comfortable capital structure and debt coverage ratios :MML has highly comfortable financial risk profile with minimal term debt and only working capital borrowing which are also utilized minimally. The company generates enough gross cash accruals to fund any major capex and its day-to-day operations. Overall gearing as on March 31, 2021, stood very comfortable at 0.07 times. Total debt to GCA and interest coverage stood comfortable at 0.42 times and 18.88 times respectively owing to lower debt and strong cash accruals during the year.

Key Rating Weaknesses

Elongated working capital cycle: The company being in heavy goods industries where realization of receivables usually takes higher time, MML has to extend around 90-100 days to its receivables. With higher inventory holding period & higher collection period and minimal creditors' period, the operating cycle is elongated which makes the operations working capital intensive.

Exposure to fluctuation in prices of raw materials: MML is exposed to inherent risk of price fluctuation of its major raw material i.e. Silver. The raw materials account for around 80% of the total cost of sales. MML has arrangement to procure silver on monthly basis where-in prices are reset on weighted average basis and are linked to LME prices. The Company is a net exporter i.e. its exports are higher than the imports. The company hedges its entire inventory.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Liquidity: Adequate

Liquidity is marked by adequate accruals against negligible repayment obligations. The average limits utilization for the past 12 months ended September, 2021 was around 40%. Company has cash and bank balances to the tune of Rs.0.18 crore as on March 31, 2021 vis-à-vis Rs.1.16 crore as on March 31, 2020. Further, the current ratio and quick ratio stood comfortable at 3.98 times and 2.11 times respectively as on March 31, 2021 (vis-à-vis 3.06 times and 1.44 times respectively as on March 31, 2020). The cash flow from operations was positive at Rs.32.93 crore in FY21 (vis-à-vis positive at Rs.14.02 crore in FY20).

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's policy on default recognition](#)

[Criteria for short-term instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-financial Sector](#)

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

About the company

Modison Metals Limited was founded as a trading unit in 1965, by Mr. G.L. Modi, to deal in tool steels and general merchandise. A decade later in 1975, Mr. G.L. Modi established the first manufacturing facility in Mumbai for refining of Silver and exporting it to bankers and dealers in Europe and USA. Within two years, the promoters started manufacturing electrical contacts after realizing vast potential in this segment. From 1983 to 1996, Modison had technical collaboration with DODUCO and with its support Modison developed many hi-tech products, which were hitherto, imported by India Switchgear industry. These electrical contacts are specially made tipping points that make and break electrical current. MML is the leading manufacturer for low voltage (LV) and sole manufacturer of high voltage (HV) switchgears in India. MML has an installed capacity of 250 thousand arcing contacts for HV and 33 tonnes per annum of LV contacts at its Vapi plant.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	224.81	293.09
PBILDT	29.15	41.09
PAT	15.11	22.43
Overall gearing (times)	0.18	0.07
Interest coverage (times)	13.36	18.88

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A; Positive (06-Apr-21)	-	1)CARE A; Positive (27-Mar-20)	1)CARE A; Stable (27-Mar-19)
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A; Positive (06-Apr-21)	-	1)CARE A; Positive (27-Mar-20)	1)CARE A; Stable (27-Mar-19)
3	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)	1)CARE A1 (27-Mar-19)
4	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)	1)CARE A1 (27-Mar-19)
5	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)	1)CARE A1 (27-Mar-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / 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	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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