

Magadh Precision Equipment Limited

October 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	26.80 (Reduced from 33.90)	CARE B+; Stable	Upgraded from CARE D; Stable outlook assigned
Long Term / Short Term Bank Facilities	15.00	CARE B+; Stable / CARE A4	Upgraded from CARE D / CARE D; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Magadh Precision Equipment Limited (MPEL) is due to satisfactory track record of debt servicing for more than 90 days. The ratings also take into consideration improved profitability margins during FY24 (Audited, FY refers to period April 01 to March 31) and experience of promoters. However, the ratings remain constrained on account of moderate scale of operations, leveraged capital structure, moderate debt coverage indicators and stretched liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining scale of operations marked by Total Operating Income (TOI) above Rs. 60 crore or more with sustaining PBILDT margin
- Improvement in capital structure marked by overall gearing below 2.50 times
- Improvement in operating cycle below 250 days

Negative factors

- Any further elongation in operating cycle or decline in cash accruals leading to liquidity crunch

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believe that entity will sustain its overall financial risk profile and will continue to derive benefit from experience of promoters.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations

The scale of operations marked by TOI improved and remained moderate at Rs.57.50 crores in FY24 as against Rs.49.37 crores in FY23 mainly due to higher demand of capital goods in other countries. Further, it has orders worth Rs.143.03 crore as on August 13, 2024, to be executed over the next 2 years. MPEL has reported TOI of ~Rs30 crores in H1FY25.

Leveraged capital structure and moderate debt coverage indicators

Capital structure though improved, remained leveraged marked by overall gearing of 3.49x as on March 31, 2024, as against 11.51x as on March 31, 2023 owing to increase in net worth with accretion of profits to reserves coupled with lower debt with lower utilization of working capital limits as on balance sheet date. Debt coverage indicators improved and remained moderate marked by interest coverage ratio of 2.28 times in FY24 as against 0.65 times in FY23 due to increase in profitability. Total debt to gross cash accruals remained at 4.12x in FY24.

Key strengths

Clear track record of debt servicing

There are no delays/ default in debt servicing for last one year ended September 2024, as confirmed by lender. Also, MPEL has shared Cash credit and term loan statements from January 2024 to September 2024. There are no instances of overdrafts and delays in repayment of interest or instalments for the said period.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Improved profitability margins

The profitability margins saw a significant improvement marked by PBILDT margin of 23.14% in FY24 as against 7.42% in FY23, driven by high margin products exported majorly in Turkey. Consequently, PAT margin improved and remained at 9.44% in FY24 as against 5.69% in FY23.

Experienced promoters

MPEL is promoted jointly by Mr. Girja Nand Sharma, Mr. Krishna Kant Kumar, and Ms. Meera Sharma. Mr. G. N. Sharma, Managing Director, holds a vast experience of more than three decades and is responsible for Marketing and Designing activities carried out by the company. Mr. K. K. Kumar, Director of MPEL, possesses experience of around three decades and is responsible for the financial and operational activities carried out by the company. Ms. Meera Sharma, Director of MPEL, possesses experience of around three decades and is responsible for routine operational activities.

Liquidity: Stretched

The liquidity profile of MPEL remains stretched characterized by tightly matched cash accruals of Rs.8.51 crore in FY24 as against repayment of ~Rs.7.50 crore arising in FY25. Average utilization of working capital limits remained low at 35% for the trailing 9 months ended September 2024. Operating cycle though improved, remained highly elongated at 554 days owing to long pendency of trade receivables. Also, inventory cycle remains prolonged as it maintains high inventory to cater to machine lines within specific time.

Applicable criteria

[Policy on Curing Period](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Delhi based, MPEL was incorporated in July 1986 as closely held public limited company by Mr. Girja Nand Sharma, Mr. Krishna Kant Kumar, and Ms. Meera Sharma. Company is engaged in manufacturing of capital equipment for metal processing industry which primarily includes manufacturing of hot and cold rolling mill machines, slitting lines, galvanizing lines catering to metal processing and steel industry for flat products. The manufacturing unit situated at Dewas, Madhya Pradesh is spread over 12000 Sq. Metres area.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	49.48	58.24
PBILDT	3.68	13.56
PAT	2.81	5.48
Overall gearing (times)	11.51	3.49
Interest coverage (times)	0.66	2.30

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

ICRA has continued the rating assigned to the bank facilities of MPEL into Issuer Not Cooperating category vide press release dated May 29, 2024, on account of its inability to carry out a review in the absence of the requisite information from the entity and non-payment of surveillance fees.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Funded Interest term Loan		-	-	30-09-2027	9.95	CARE B+; Stable
Fund-based - LT-Working capital Term Loan		-	-	30-09-2027	16.85	CARE B+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	15.00	CARE B+; Stable / CARE A4

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	15.00	CARE B+; Stable / CARE A4	-	1)CARE D / CARE D (21-Sep-23)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (07-Feb-23)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (18-Nov-21)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (21-Sep-23)	1)CARE D; ISSUER NOT COOPERATING* (07-Feb-23)	1)CARE D; ISSUER NOT COOPERATING* (18-Nov-21)
3	Fund-based - LT-Working capital Term Loan	LT	16.85	CARE B+; Stable	-	1)CARE D (21-Sep-23)	-	-
4	Fund-based - LT-Funded Interest term Loan	LT	9.95	CARE B+; Stable	-	1)CARE D (21-Sep-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Funded Interest term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Fund-based - LT/ ST-Cash Credit	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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