

Qualitech Metal Industries Private Limited

February 10, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	4.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Qualitech Metal Industries Private Limited (QMIPL) are constrained on account of its nascent stage of operations with FY25 (FY refers to period from April 01 to March 31) being first full year of operations, highly leveraged capital structure on the back of recently concluded debt funded capex, stretched liquidity, susceptibility of profit margins to volatility in raw material prices and its presence in a cyclical and competitive steel industry.

The ratings, however, derive strength from vast industry experience of its promoters and improving scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with total operating income (TOI) exceeding Rs.100 crores along with PBILDT margin above 10% on sustained basis.
- Improvement in capital structure with overall gearing below 1.25x and debt coverage indicators with total debt/ EBDITA below 3.00x on sustained basis.

Negative factors

- Decline in scale of operations with TOI below Rs.75 crore and PBILDT margin below 7% on sustained basis.
- Any debt funded capex or increase in working capital requirement resulting in moderation in capital structure.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoters.

Detailed description of key rating drivers:

Key weaknesses

Nascent stage of operations

QMIPL was incorporated in June 2021 for manufacturing of SAW (Submerged Arc Welded) MS pipes. The company acquired a pipe manufacturing unit from PSL Limited in September 2023, and the refurbishment work was completed in December 2023. The project was completed at a total cost of ~Rs.47.00 crore which was funded through term loan of ~Rs.35.00 crore and promoters' funds of Rs.12 crore. The project commenced commercial operations with partial capacity in January 2024.

Highly leveraged capital structure

As on March 31, 2024, the capital structure of QMIPL remained highly leveraged marked by overall gearing of 2.58x on the back of recently completed debt funded project. The net worth base remained low at Rs.13.43 crore as on March 31, 2024. The debt profile of the company consists of term loan of Rs.34.58 crore and preference share capital of Rs.0.01 crore. The capital structure is expected to remain leveraged with the utilisation of working capital borrowings from September 2024.

The debt coverage indicators remained weak marked by PBILDT Interest coverage of 1.95x and total debt/ GCA of 46.10x as on March 31, 2024. Although the indicators are expected to improve in FY25 due to increased scale of operations.

Susceptibility of profit margins to volatility in raw material price

The major raw materials for manufacturing mild steel SAW pipes are Hot rolled coil, the prices of which have remained volatile over the years. This coupled with limited bargaining power of small sized players like QMIPL impacts the profitability and makes it susceptible to any fluctuations in the metal prices. QMIPL procures raw material such as HR Coils and steel plates from SAIL and other renowned domestic suppliers.

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

Presence in cyclical and competitive steel industry

The product (MS SAW Pipes) sold by QMIPL are generally used by oil & gas industry which is inherently cyclical in nature. The slowdown in this industry may adversely affect the business operations of QMIPL. Moreover, entry barriers in the industry are very low which results in high competition amongst the players, in turn restricting the pricing power and impacting the profitability of players operating in this industry.

Key strengths

Experienced Promoters

QMIPL is promoted by Mr. Kamal Mehta, Mr. Ankit Mehta, and Mr. Prateek Mehta. Mr. Kamal Mehta has over 40 years of experience in metal industry. He has served as President and member of Marudhara Industrial Association to promote and develop the industrial sector in the Rajasthan region. He has also been operating a proprietorship firm named Qualitech Metal Industries since 1976. Mr. Ankit Mehta and Mr. Prateek Mehta also have average industry experience of over a decade.

Growing albeit moderate scale of operations and profitability

In its first year of operation i.e. FY24, QMIPL reported TOI of Rs 20.12 crores with moderate profitability marked by PBILDT margin of 7.64%. QMIPL reported PAT of Rs.0.80 crore.

Further, in 8MFY25, QMIPL has achieved TOI of Rs.78.60 crore with PBDILT margin of ~12% and expects to achieve TOI of Rs.130 crore in FY25.

Liquidity: Stretched

Liquidity of QMIPL remained stretched marked by high utilisation of its working capital limits and low free cash and bank balance. The average utilisation for its fund-based limits remained almost full during past four months. The envisaged gross cash accruals remain sufficient as against term loan repayments over the next two years viz. FY26 & FY27. Further, cash and bank balance remained low at Rs.0.07 crore as on March 31, 2024. QMIPL has maintained Debt Service Reserve Account (DSRA) equivalent to Rs.1.05 crore for 1 quarter of principal and interest in the form of FDRs.

Applicable criteria

[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](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Jodhpur based Qualitech Metal Industries Private Limited (QMIPL) was incorporated in June 2021. The company is promoted by Mr. Kamal Mehta, Mr. Ankit Mehta, and Mr. Prateek Mehta. QMIPL is engaged in manufacturing of SAW MS pipes of sizes up to 3220 mm diameter with an installed capacity of 1,50,000 MTPA. QMIPL acquired a pipe manufacturing unit in September 2023 and commenced its operations in January 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	NM	20.12	78.60
PBILDT	NM	1.54	NA
PAT	NM	0.80	NA
Overall gearing (times)	NM	2.58	NA
Interest coverage (times)	NM	1.95	NA

A: Audited UA: Unaudited NM: Not meaningful due to project stage entity NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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-Cash Credit		-	-	-	10.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	30/09/2033	35.00	CARE BB; Stable
Non-fund-based - ST-Letter of credit		-	-	-	4.00	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-Term Loan	LT	35.00	CARE BB; Stable	1)CARE BB; Stable (16-Apr-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable	1)CARE BB; Stable (16-Apr-24)	-	-	-
3	Non-fund-based - ST-Letter of credit	ST	4.00	CARE A4	1)CARE A4 (16-Apr-24)	-	-	-

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of 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.

Contact us

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About us:

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