

Mahati Industries Private Limited

March 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.00 (Enhanced from 5.00)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	35.00	CARE A3	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities of Mahati Industries Private Limited (MIPL) continue to derive strength from the experienced promoter group with long track record of operations in the electrical transformer industry, comfortable capital structure, debt coverage indicators and adequate liquidity position. Ratings further continue to derive comfort from the moderate order book position providing near term revenue visibility, and association with reputed despite concentrated clientele. However, ratings continue to be constrained considering the modest scale of operations and capitalisation, fluctuating profitability margins, which are susceptible to raw material price volatility, elongated working capital cycle, and MIPL's presence in a competitive transformer manufacturing industry.

CARE Ratings Limited (CARE Ratings) has withdrawn one of the long-term facilities as the company has repaid the term loan in full and there is no amount outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in total operating income while maintaining profitability.
- Sustained improvement in operating cycle below 150 days.

Negative factors

- Sustained decline in revenue below ₹60 crore.
- Un-envisaged debt deteriorating overall gearing ratio beyond 1x.
- Deterioration of liquidity profile with inventory pile up and/or stretch in receivables.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that MIPL will sustain its overall financial risk profile continue to derive benefit from experience of its promoters in electrical transformer industry.

Detailed description of key rating drivers:

Key strengths

Long track record of operations and experience of the promoters

The company is promoted by Sujay Shah, Udank R Shah, and other members of the Shah family. Key promoters have an experience of over four decades in the industry. The Mahati group has an established track record of over four decades and has a strong foothold among transformer manufacturers in India. Over the years, the company has diversified from production into turnkey contract execution, repairing and refurbishment and allied service.

Reputed-yet-concentrated customer profile

Over the years, the company-maintained association with key clients and has been able to generate the repeat orders. The company has developed a reputed clientele base, which includes utilities, steel and alloy manufacturers, residential buildings among others. Key customers include Maharashtra State Electricity Transmission Company Limited (MSETCL: CARE A+; Stable/CARE A1+) Karnataka Power Corporation Limited, Tata Motors Limited (CARE AA+; Stable/A1+) among others. Association with the reputed clientele ensures the timely receipt of payments. The company's revenue streams are concentrated with top five customers contributing 40% of the sales in FY24 (refers to April 01 to March 31).

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

Moderate order book position providing near term revenue visibility

The company has an order book of ₹111.51 crore as on January 31, 2025 (₹145.41 crore as on December 31, 2023) of which ~₹27 crore will be executed by the end of FY25, which provides near-term revenue visibility. The current order book has product-service mix in the proportion of 94-06%.

Comfortable capital structure and debt coverage indicators

The company's capital structure continues to remain comfortable marked by an overall gearing of 0.22x as on March 31, 2024, against 0.35x as on March 31, 2023. Total outside liabilities to total net worth (TOL/TNW) stood at 1.55x as on March 31, 2024 (P.Y 1.26x). Debt coverage indicators improved and remained comfortable as indicated by total debt to gross cash accruals (TD/GCA) and profit before interest, lease rentals, depreciation and taxation (PBILDT) Interest coverage of 1.77x and 15.19x as at the end of FY24 (PY 1.72x and 9.88x). Improvement in Interest coverage is considering lower finance cost due to repayment of term debts and moderate utilisation of working capital limits.

Key weaknesses**Modest scale of operations and capitalisation**

The company's total operating income (TOI) remained in similar lines in FY24 at ₹100 crore against ₹99.77 crore in FY23. MIPL's net worth base continues to remain modest at ₹48.93 crore as on March 31, 2024. Modest scale of operations limits financial flexibility and restricts the benefits from economies of scale. However, with improved orders inflow and dispatches, the company achieved ₹117 crore of revenue in 9MFY25 (refers to April 01 to December 31), despite the company's modest scale of operations and net worth. Un-envisaged debt funded capex may result in deterioration in the capital structure and will remain a key monitorable.

Fluctuating-yet-moderate profitability margins

The company's profitability margins have remained fluctuating in the past five years ended FY24 owing to volatile raw material price. Profitability continues to remain moderate marked by PBILDT margins of 12.77% against 12.52% in FY23. However, MIPL incurred a one-time extraordinary expense of ₹5.00 crore as a result, profit after taxation (PAT) declined to ₹4.01 crore in FY24, compared to ₹7.02 crore in FY23. The company has reported PAT of ₹7.69 crore in 9MFY25.

Elongated working capital cycle

In FY24, the operating cycle elongated to 201 days against 137 days in FY23 considering higher inventory as on March 31, 2024. The company's raw material inventory saw a significant increase due to bulk procurement aimed at capitalising on lower prices. There is no price escalation clause in place for its private customers. Inventory levels are high due to the long manufacturing cycle of transformers, which typically takes 2-3 months. The company takes advances from customers against approval of design to the tunes of 20-25%. Utilisation of advance payments from the customer's has resulted in moderate utilisation of working capital borrowings.

Presence in highly competitive industry

India's transformer market is predominantly unorganised with many small participants catering to smaller distribution markets making the market more competitive and price sensitive. Competition in domestic transformer industry has been increasing since the last few years due to government target to increase power infrastructure, import of cheaper equipment especially from China and large number of smaller players with limited capacity entering in the industry due to its high profitability and easy availability of technology. As most of the business is tender driven, incumbent players have less advantage due to aggressive bidding from players seeking entry in the market.

Liquidity: Adequate

The liquidity continues to remain adequate as marked by sufficient cushion in accruals against debt repayment obligations and moderate utilisation of working capital limits. GCA is expected to remain at ~₹12 crore, against repayment obligation of ₹0.88 crore in FY25. Average of maximum utilisation of fund-based limits and non-fund-based limits stood at ~74% and 54% respectively for 12 months ending January 31, 2025. The cash flows from operating activities improved to ₹23.89 crore as on March 31, 2024 (Negative ₹4.11 crore on March 31, 2023), benefiting from customer advances.

The company receives certain portion of the payments in advance in manufacturing and repair & refurbishment segment, which limits dependency on bank credit line to manage the working capital.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Nonfinancial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Other electrical equipment

Pune-based MIPL was incorporated in 2013 as a private limited company. The entity was initially established as Mahati Electrics (ME), a proprietorship concern, in 1969. In 1971, ME was transferred to partnership firm registered under same name. In 2013, the constitution was changed to private limited company. MIPL is engaged in manufacturing electrical transformers, panels and other allied devices. The company has built adequate infrastructure and manpower and can manufacture the transformers up to 125 MVA, 220 KV class and has successfully refurbished power transformers up to 300 MVA, 220 KV. The company is also involved in sub-contracting for electrical projects and service activities such as erection, installation and testing of transformers, repairs, and maintenance.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	99.77	100.00	84.81
PBILDT	12.49	12.77	12.71
PAT	7.02	4.01	7.69
Overall gearing (times)	0.35	0.22	NA
Interest coverage (times)	9.88	15.19	18.42

A: Audited UA: Unaudited 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 BBB-; Stable
Fund-based - LT-Term Loan		-	-	31-03-2024	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	35.00	CARE A3

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	-	-	-	1)CARE BBB-; Stable (04-Mar-24)	1)CARE BBB-; Stable (22-Feb-23)	1)CARE BBB-; Stable (03-Mar-22) 2)CARE BBB-; Stable (07-Apr-21)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Mar-24)	1)CARE BBB-; Stable (22-Feb-23)	1)CARE BBB-; Stable (03-Mar-22) 2)CARE BBB-; Stable (07-Apr-21)
3	Non-fund-based - ST-BG/LC	ST	35.00	CARE A3	-	1)CARE A3 (04-Mar-24)	1)CARE A3 (22-Feb-23)	1)CARE A3 (03-Mar-22) 2)CARE A3 (07-Apr-21)

LT: Long term; ST: 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-BG/LC	Simple

Annexure-5: Lender details

To view 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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