

Mutha Engineering Private Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	61.59	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.60	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Mutha Engineering Private Limited (MEPL) to monitor the rating vide e-mail communications dated February 27, 2025, February 11, 2025, January 28, 2025, and numerous phone calls. However, despite our repeated requests, it has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on MEPL's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING*

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings takes into account moderate scale of operations, moderate and fluctuating profit margins, working capital intensive nature of operations, competition from organized and unorganized players, cyclicity of automobile sector, susceptibility to raw material price volatility and dependence on group companies for raw material procurement, project implementation and stabilization risk associated with ongoing debt funded project, experienced management and long track record of operations, its reputed client base, comfortable capital structure and debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

Key weaknesses

Moderate scale of operation with Moderate and fluctuating profit margins

MEPL's scale of operations remained moderate marked by total operating income (TOI) at Rs.205.23 crore in FY24 as against Rs.208.96 crore in FY23. The profitability margins improved marked by PBILDT margin stood at 8.54% in FY24 as compared to 7.65% in FY23. Further, PAT margin has also improved to 5.28% in FY24 as compared to 2.99% in FY23. Consequently, gross cash accruals (GCA) improved but remained moderate at Rs.16.78 crore during FY24 as against Rs.12.58 crore in FY23.

Working capital intensive nature of operations

Working capital cycle has remained constant at 68 days during FY24 as against FY23 on account of decrease in collection days which was set off by decreased creditors period. MEPL has to offer higher credit period to its customers due to low bargaining power against reputed customers. On the other hand, it has to maintain sufficient stock of the raw material to ensure uninterrupted production and just in time supply and inventory cycle for component is 1 month.

Dependence on group companies for raw material procurement

The raw material cost of MEPL stood around ~57% of TOI in FY24 The major suppliers earlier included Mutha Founders Private Limited and Dhanashree Industries (the associate companies of Mutha group) from whom raw castings are purchased. During FY23 out of total raw material consumption during the year 52% (P.Y. 64%) are procured from group entities. During FY23, MEPL is able to get the casting at lower rate than its group companies from local companies in Maharashtra, thereby the dependence has reduced during FY23.

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

Cyclical nature of the automobile sector

The automobile industry is a highly cyclical one, i.e. an economic boom is generally accompanied by high sales in the automobile industry, while sales usually suffer during economic downturns. Economic downturns will tend to encourage consumers to delay purchase of new vehicle. The correlation between sales of the industry and GDP is extremely high.

Susceptibility to raw material price volatility

MEPL is susceptible to any volatility in these prices as raw material is one of the major cost drivers (constituting about 63.21% of the cost of sales for FY23). MEPL's raw material are fixed as per Minerals and Metals Review (MMR) and further it fixes and revisits the prices on quarterly basis and any escalation is passed on to the customers. Hence the company is sensitive to adverse movement in prices of finished goods and raw materials. The ability of the company to pass on the increase in price to its customers without major time lag accompanied by the competition existing in this segment remains an important factor.

Intense competition from organized and unorganized players

MEPL manufactures products and operates in casting industry which comprises of several players in the unorganized sector and is also characterized by high degree of fragmentation. There also exist big sized companies namely Paranjape Autocast Private Limited, Autoshell and others resulting in intense competition in the industry. The casting and machining industry are characterized by low entry barriers and low level of product differentiation. Therefore, pricing is the important factor for the company to garner customer especially with no long-term contracts.

Implementation and stabilization risk associated with ongoing debt funded project

MEPL was implementing a CAPEX by replacing current machineries with new automated machineries which will reduce human invention in manufacturing process and increase production efficiency. Post project completion, MEPL's install capacity will be enhanced by 1200 MTPA. The total cost of project is Rs. 40.59 crore, which is envisaged to be funded through Term loan of Rs. 30.98 crore and rest through internal accruals. Project is expected to be completed by March 2024 and MEPL is envisaging to commence operation from the newly installed machinery from April 2024. Till February 16, 2024, MEPL has incurred total cost of Rs.28.44 crore towards the project, funded through debt/equity mix of 0.96x. As MEPL has incurred 70% of its total cost and balance cost is yet to be incurred, MEPL is exposed to project implementation and consequent stabilization risk. Further, latest update on the same is not available.

Key strengths**Experienced management and long track record of operations**

The company has a long track record of nearly four decades in the casting industry, supplying to the original equipment manufacturers (OEMs) and the auto ancillary industry. Mr. Ajit Mutha (Chairman & Managing Director of MEPL) is a metallurgical engineer and has vast experience of more than 40 years in the field of manufacturing of auto components and castings and has been into casting industry since 1968 through "Chandan Foundry". Mr. Anoop Ajit Mutha (Director, MEPL), mechanical engineer and a MBA, has more than 10 years of experience in business. The directors are involved in the day-to-day operations of the business and are ably supported by a qualified and professional management team who looks after various activities such as production, procurement and operation.

Long standing relationship with its reputed client base and track record of repeated orders from same customers albeit concentrated customer base

MEPL has established itself as a preferred vendor for supplying its products and shares healthy relationship with its reputed clients such as Bajaj Auto Limited, Tata Motors Limited, TVS Motors Company Limited, Navistar Inc and others. MEPL has also supplies in international markets like United States of America, United Kingdom, Hongkong and Germany. Further, 60-75% of its domestic demand received from Bajaj Auto Limited and TVS Motors denoting customer concentration, however this counter party risk is mitigated due to dealing with established customers. Also, the exports sales from the largest export customers Navistar Inc (USA) and HAMM AG stood at around 60% of its total exports in FY23.

Comfortable capital structure and debt coverage indicator

As on March 31, 2024, capital structure of the company slightly deteriorated on account of increased debt levels due to increase in term loans which was partially off set by increased net worth due accretion of profits however, continued to remain comfortable marked by overall gearing ratio of 0.68x as against 0.66x as on March 31, 2023.

Further, the debt coverage indicators also remained comfortable marked by TD/GCA ratio of 2.43x and interest coverage ratio of 5.99x respectively during FY24 as against 2.55 years and 6.21x respectively during FY23.

Liquidity: Stretched

Liquidity position of MEPL remained stretched marked by low cash and bank balances at Rs.0.13 crore as on March 31, 2024 as against Rs. 0.13 crore as on March 31, 2023. Average working capital utilization remained almost full for past twelve months ended January 2024. However, net cash flow from operating activities has decreased to Rs.11.04 crore in FY24 as against Rs.17.14 crore during FY23.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Policy on Default Recognition](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Rating of Short Term Instruments](#)

[Manufacturing Companies](#)

[Auto Components & Equipments](#)

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

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipment

Incorporated in the year 1982, Mutha Engineering Private Limited (MEPL) is a part of Satara (Maharashtra), based Mutha Group, spearheaded by Mr. Ajit Zankarmal Mutha. MEPL is engaged in manufacturing of various types of raw, semi-finished and finished green sand, shell moulded Cast iron (CI) and Spheroidal Graphite Iron (SGI) castings, machining and assembling of cast iron parts and other engineering job works. The end users of the products are Original Equipment Manufacturers (OEMs) and other auto component manufacturers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	208.96	205.23
PBILDT	15.99	17.52
PAT	6.26	10.84
Overall gearing (times)	0.66	0.68
Interest coverage (times)	6.21	5.99

A: Audited; 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		-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2031	41.59	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	0.60	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-PC/Bill Discounting		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

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

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-Cash Credit	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (12-Mar-24)	1)CARE BB; Stable (14-Feb-23)	1)CARE BB; Stable (28-Feb-22)
2	Fund-based - ST-PC/Bill Discounting	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (12-Mar-24)	1)CARE A4 (14-Feb-23)	1)CARE A4 (28-Feb-22)
3	Fund-based - LT-Term Loan	LT	41.59	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (12-Mar-24)	1)CARE BB; Stable (14-Feb-23)	1)CARE BB; Stable (28-Feb-22)
4	Fund-based - ST-Packing Credit in Indian rupee	ST	0.60	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (12-Mar-24)	1)CARE A4 (14-Feb-23)	1)CARE A4 (28-Feb-22)

*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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Packing Credit in Indian rupee	Simple
4	Fund-based - ST-PC/Bill Discounting	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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About us:

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Disclaimer:

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