

APRIL 12, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF MODISON METALS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	35.00	CARE A (Single A)	Reaffirmed
Long-term Bank Facilities- Term Loan	- (reduced from 1.07)	-	Withdrawal
Short-term Bank Facilities	12.50	CARE A1 (A One)	Reaffirmed
Total	47.50 (Rupees Forty Seven crore Fifty lakhs only)		

Rating Rationale

The reaffirmation in the ratings assigned to the bank facilities of Modison Metal Limited (MML) derive strength from experienced promoters, strong brand being the market leader in India, strong clientele profile, strong financial risk profile marked by healthy capital structure and comfortable debt coverage indicators. These ratings also factor in dip in revenues driven by fall in silver prices and moderate profitability margins during FY15 (refers to the period April 01 to March 31) & 9MFY16.

These rating strengths however continue to be constrained elongated working capital cycle, concentration risk in customers and suppliers profile and susceptibility to fluctuation in silver prices and fluctuation in foreign exchange imparting volatility to profitability.

Ability of MML to achieve continued growth in its operation amidst uncertain global demand and falling silver prices remains the key rating sensitivities.

Background

Modison Metals Ltd (MML) is the flagship company of the Modison group, established by Mr G L Modi in 1965. Later in 1978 it ventured into electrical contacts business and currently is a leading manufacturer of electrical contacts for low voltage (LV), medium voltage (MV) and high voltage (HV) switchgears in India and internationally. These electrical contacts are specially made tipping points that make and break electrical current. In HV segment MML has virtual monopoly in India (market share of more than 80%). It is the only company in India and one of the few in the world with presence in all three segments. MML has an installed capacity of 200 thousand arcing contacts for HV and 30 tonnes per annum of LV contacts at its Vapi plant.

During FY15, MML reported operating income and PAT of Rs.171.73 crore and Rs.4.60 crore respectively vis-à-vis FY14 where-in it reported operating income and PAT of Rs.184.36 crore and Rs.12.18 crore respectively.

During 9MFY16, MML reported operating income and PAT of Rs.121.78 crore and Rs.7.43 crore respectively vis-à-vis 9MFY15 wherein it reported operating income and PAT of Rs.126.60 crore and 3.62 crore respectively.

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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