

Mahagouri Aluminium Private Limited

December 17, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	7.77	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Short-term Bank Facilities	1.10	CARE A4 (A Four)	Assigned
Total Facilities	8.87 (Rupees Eight crore and Eighty Seven lakh only)		

*Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of **Mahagouri Aluminium Private Limited** are primarily constrained by its project risk including project funding risk. The ratings also factors in its exposure to volatility in the prices of raw materials and presence in a highly fragmented and competitive industry. However, the aforesaid constraints are partially offset by its experienced promoters and high growth prospects of the industry.

Rating Sensitivities

Positives

- Timely financial closure for the debt portion of the project as envisaged, complete the on-going project without any major cost and time overrun.
- Derive benefit out of the on-going project as envisaged on a sustained basis.

Negatives

- Delay in project implementation, any major cost and time overrun and under achievement of scale of operations and profitability margins on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Project risk: Currently, the company is setting up of a manufacturing unit of aluminium extruded items in Soro, Balasore, Odisha with an installed capacity of 3000 metric tons per annum (MTPA). The aggregate cost of the project is estimated to be Rs.12.51 crore which will be funded through term loan of Rs.6.19 crore and balance through promoter contribution of Rs.6.32 crore. The company has applied for term loan and cash credit limit to bank; however the financial closure for the same is yet to be tied-up. Therefore the project funding risk is yet to be taken care off. However, till November 18, 2019, the company has already spent Rs.2.27 crore in the aforesaid project funded through promoters contribution. Considering the nascent stage of project implementation; the project implementation risk is also exists. The project is expected to be operational by April 2020. Going forward, the ability of the company to fund its project, complete the on-going project and thereafter derive benefit out of it as envisaged will remain crucial for the company.

Exposure to volatility in the prices of raw materials: The prices of raw materials, especially metals like aluminium ingots required for the manufacturing of aluminium extruded items, are volatile in nature. Any adverse movement in the raw material prices would adversely affect the profitability of the company.

Highly fragmented and competitive nature of the industry: Manufacturing of aluminium items is primarily dominated by large and established players and characterized by high fragmentation and competition due to the presence of numerous players in India owing to relatively low entry barriers. High competitive pressure limits the pricing flexibility of the industry participants which induces pressure on profitability.

Key Rating Strengths

Experienced promoters: The key promoter, Mr. Pravin Kumar Patel has more than two decades of experience in manufacturing of aluminium cables. He will look after the overall management of the company supported by Mrs. Asha Patel.

High growth prospects of the industry: Real estate & construction sector in India has emerged as the largest end user sectors for aluminium extruded items. The government's thrust on real estate & construction sector & strong investment sentiment in India will be a strong demand driver of aluminium in India.

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

Liquidity indicator

Comment on liquidity is not available as the company is into project implementation stage currently.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Policy on Default Recognition](#)

About the Entity

Incorporated in June 28, 2018, Mahagouri Aluminium Private Limited (MAPL) was promoted by the Patel family of Odisha to set up a manufacturing unit of aluminium extruded items. Currently, the company is setting up of a manufacturing unit of aluminium extruded items in Soro, Balasore, Odisha with an installed capacity of 3000 metric tons per annum (MTPA). The aggregate cost of the project is estimated to be Rs.12.51 crore which will be funded through term loan of Rs.6.19 crore and balance through promoter contribution of Rs.6.32 crore. The company has applied for term loan and cash credit limit to bank; however the financial closure for the same is yet to be tied-up. However, till November 18, 2019, the company has already spent Rs.2.27 crore in the aforesaid project funded through promoters contribution. The project is expected to be operational by April 2020.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed Term Loan	-	-	-	6.19	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	1.58	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	1.10	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	6.19	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	1.58	CARE B+; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	1.10	CARE A4	-	-	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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