Mauria Udyog Limited

March 26, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long- Term Bank Facilities	**55.00**	**CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable, ISSUER NOT COOPERATING)**	Issuer Not Cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) on the basis of best available information
Short-term Bank Facilities	240.00	**CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING)**	Issuer Not Cooperating; Revised from CARE A3 (A Three) on the basis of best available information
Total	**295.00 (Rupees Two hundred Ninety Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Mauria Udyog Limited (MUL) to monitor the rating(s) vide e-mail communications/letters dated March 15, 2018, March 14, 2018, March 6, 2018, Feb 28, 2018, Feb 9, 2018, Feb 5, 2018, Jan 25, 2018, and Jan 3, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE’s opinion is not sufficient to arrive at a fair rating. Further, MUL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on MUL’s bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; 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(s).

The ratings have been revised on account of non-availability of sufficient information and hence CARE is not able to conduct appropriate analysis.

Detailed description of the key rating drivers

At the time of last rating on May 9, 2017, the following were the rating strengths and weaknesses (updated for the information available publically)

Key Rating Strengths

Resourceful promoters and experienced management: MUL incorporated in 1980 by the Sureka family is primarily a family-owned business with promoters owning 74.32% of the shares as March 31, 2017. Mr V.K. Sureka, (Chairman) and Mr N.K. Sureka (MD), are actively involved in managing the day-to-day operations of the company. They are well supported by an experienced and qualified management team of professionals.

Long operational track record in manufacturing and trading business*:* MUL has a track record of more than three decades in the business of manufacturing of LPG cylinders, valves and regulators. The company is one of

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate*

the largest exporters & manufacturers for welded steel cylinders in India. MUL is also involved in trading for more than a decade for products like soya DOC, steel plates and metals like steel, brass, copper and ferrous scrap, etc.

Diversified product profile and established client base: MUL has a diversified portfolio comprising of gas cylinders of various size and capacities along with valves and regulators, soya de-oiled cake, terry towels. Long-standing experience in the cylinder business has helped the company to add large and established customer base to its portfolio.

Key Rating Weaknesses

Working capital intensive nature of operations: The working capital cycle elongated to 89 days on March 31, 2017 (PY: 73 days), driven by increase in debtors period to 108 days from 94 days on March 31, 2016.

Weak financial risk profile: The capital structure deteriorated with debt equity ratio of 1.16x (PY: 0.93x) and overall gearing of 5.19x (PY: 3.85x) on March 31, 2017. Total debt to gross cash accruals (GCA) also deteriorated to 38.87x on March 31, 2017 from 26.96x on March 31, 2016 on account of higher total debt. Interest coverage also reduced to 1.42x in FY17 from 1.60x in FY16.

High competition due to fragmented nature of industry: The company is awarded orders both through competitive tender based bidding as well as through direct negotiation. Since, the company operates in a highly fragmented industry with stiff competition from players in various countries (Thailand, Turkey and other middle east countries), it limits the company's bargaining power and induces pressure on the profitability margins.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Manufacturing Companies

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

About the company

MUL was incorporated in 1980 by the Sureka family comprising Mr V K Sureka, Mr N K Sureka and Mr A K Sureka. The operations of the company are managed by Mr N K Sureka (Managing Director). MUL is the flagship company of the Mauria group. The group is involved in diverse business activities including manufacturing of cylinders, valves, regulators, terry towels, trading of commodities, NBFC, etc. MUL is engaged in the manufacturing of cylinders, valves and regulators used for filling Liquefied Petroleum Gas (LPG) and other gases such as ammonia and refrigerants. MUL also manufactures 100% cotton terry towels at its facility located in Faridabad. The terry towels are sold under the brand name "Eurospa" and are sold domestically as well as exported to countries like Ukraine, France, etc. MUL is also engaged in trading and manufacturing of agro-commodities such as soybean meal & cake and domestic trading of metals like steel, brass, copper and ferrous scrap. The trading comprises significant component of total sales with 64.96% contribution during FY17 (PY: 72.47%).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1144.43	1266.14
PBILDT	51.02	55.96
PAT	8.19	9.25
Overall gearing (times)	3.85	5.19
Interest coverage (times)	1.60	1.42

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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-Cash Credit	-	-	-	55.00	CARE BB+; Stable Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	125.00	CARE A4+ Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Non-fund-based - ST-EPC/PCFC	-	-	-	115.00	CARE A4+ Issuer not cooperating; Revised from CARE A3 on the basis of best available information

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	55.00	CARE BB+; Stable Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	1)CARE BBB-; Stable (09-May-17)	-	1)CARE BBB- (10-Mar-16)	1)CARE BBB- (05-Dec-14)
2.	Non-fund-based - ST-Letter of credit	ST	125.00	CARE A4+ Issuer not cooperating; Revised from CARE A3 on the basis of best available information	1)CARE A3 (09-May-17)	-	1)CARE A3 (10-Mar-16)	1)CARE A3 (05-Dec-14)
3.	Non-fund-based - ST-EPC/PCFC	ST	115.00	CARE A4+ Issuer not cooperating; Revised from CARE A3 on the basis of best available information	1)CARE A3 (09-May-17)	-	1)CARE A3 (10-Mar-16)	1)CARE A3 (05-Dec-14)

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CIN - L67190MH1993PLC071691