Mauria Udyog Limited

May 9, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	55	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	Reaffirmed
Short-term Bank Facilities	240 (enhanced from 215)	**CARE A3 (A Three)**	Reaffirmed
Total Facilities	**295 (Rupees Two Hundred Ninety Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of Mauria Udyog Limited (MUL) continue to derive strength from the experienced and resourceful promoters with long track record of operations in the gas cylinder business. The ratings also favourably factor in MUL's established client base and diversified product profile. These rating strengths are partially offset by MUL's working capital intensive nature of operations, vulnerability of margins to fluctuation in raw material prices and high competition due to fragmented nature of industry. The ratings are also constrained by the moderate financial risk profile characterized by low profitability margins and high overall gearing.

Going forward, the ability of the company to improve its capital structure, achieve the envisaged revenue and profitability while effectively managing its working capital requirements shall be the key rating sensitivities.

Detailed description of the key rating drivers

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 on December 31, 2016. 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 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 all of which are manufactured by MUL. Long-standing experience in the cylinder business has helped the company to add large and diversified customer base to its portfolio.

Key Rating Weaknesses

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature both in cylinder as well as trading segments. The company purchases its raw material/trading goods against LC with credit period ranging from 30-60 days, however, it provides a credit period of 60-90 days to its customers for cylinder business and trading business.

Moderate financial risk profile: The company has moderate financial risk profile characterized by low profitability margins and high overall gearing. The PBILDT and PAT margins witnessed moderation during FY16 and stood at 4.46% and 0.72%, respectively, as against 4.82% and 0.95%, respectively. The capital structure of the company continued to remain leveraged with debt equity ratio of 0.93x as on March 31, 2016, and overall gearing ratio of 3.85x as on March 31, 2016.

High competition due to fragmented nature of industry: The company is awarded orders for this business segment 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

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

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

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. The manufacturing facility was set up at Faridabad, Haryana, in 1984 and has an annual installed capacity of 2.4 million for cylinders, 2.4 million for valves and 2.4 million for regulators as on March 31, 2016.

MUL also manufactures 100% cotton terry towels at its facility located in Faridabad. The manufacturing facility was set up in 2005 and has an installed capacity of 2,160 metric tonnes per annum as on March 31, 2016. 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 72.47% contribution during FY16 (refers to the period April 1 to March 31) as against 62.85% of the total contribution during FY15.

During FY16, the company reported a PBILDT and PAT of Rs.51.02 crore and Rs.8.19 crore, respectively, on a total operating income of Rs.1,144.43 crore as against a PBILDT and PAT of Rs.49.27 crore and Rs.9.70 crore, respectively, on a total operating income of Rs.1,022.24 crore during FY15. During 9MFY17 (refers to the period April 1 to December 31), MUL reported a total operating income of Rs.940.24 crore with a PBILDT and PAT of Rs.36.92 crore and Rs.9.01 crore, respectively.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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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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 BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	125.00	CARE A3
Non-fund-based - ST-EPC/PCFC	-	-	-	115.00	CARE A3

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 BBB-; Stable	-	-	1)CARE BBB- (10-Mar-16)	1)CARE BBB- (05-Dec-14)
2.	Non-fund-based - ST-Letter of credit	ST	125.00	CARE A3	-	-	1)CARE A3 (10-Mar-16)	1)CARE A3 (05-Dec-14)
3.	Non-fund-based - ST-EPC/PCFC	ST	115.00	CARE A3	-	-	1)CARE A3 (10-Mar-16)	1)CARE A3 (05-Dec-14)

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