



28th May, 2021

To,

National Stock Exchange of India Limited,
Listing Department
Exchange Plaza, C-1, Block G
BandraKurla Complex, Bandra (E)
Mumbai – 400051

Symbol: MCL

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations')

Dear Sir/ Madam,

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we inform you that CRISIL Rating has reaffirmed its CRISIL BBB-/ Stable rating on the long-term bank facilities of Madhav Copper Limited (MCL) intimation received via mail dated 28th May, 2021 and the letter assigning rating is attached as annexure I.

Kindly take it on records.

Thanking you,

Yours Faithfully,
For Madhav Copper Limited

Swati Kathrotiya
Company Secretary & Compliance Officer



MADHAV COPPER LIMITED (Erstwhile known as Madhav Copper Pvt Ltd.)

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CREDIT RATING REPORT

MAY 2021

Madhav Copper Limited

Instrument Rated	
Total Bank Loan Facilities Rated	Rs.18 Crore (Enhanced from Rs.14.5 Crore)
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)
<i>1 crore = 10 million</i>	
<i>Refer to Annexure for Details of Instruments & Bank Facilities</i>	

Rating History			
Date	Long Term Rating	Short Term Rating	Rating Watch/Outlook
Apr 8, 2021	CRISIL BBB-	--	Stable
Mar 16, 2021	CRISIL BBB-	--	Stable
Dec 11, 2019	CRISIL BB+	--	Stable
Nov 14, 2018	CRISIL BB+	--	Stable
Nov 6, 2018	CRISIL BB+	--	Stable
Jun 27, 2018	CRISIL BB+	--	Stable

CRISIL Rating has reaffirmed its CRISIL BBB-/Stable rating on the long-term bank facilities of Madhav Copper Ltd (MCL).

The rating continues to reflect the extensive experience of its promoters in the electrical goods industry, significant ramp-up in operations, and moderate financial profile. These strengths are partially offset by a modest operating margin and vulnerability to fluctuations in raw material prices.

Previously, the rating was upgraded to CRISIL BBB-/Stable from CRISIL BB+/Stable vide release dated March 16, 2021. The rating upgrade reflects the expectations of sustenance business profile and improved financial profile. During current fiscal, despite the covid-19 disruptions, the company is expected to grow at least 60% over the previous year's Rs. 202 cr. The growth is driven by a 30 % increase in production volume with optimum capacity utilization. Also, higher average copper price, during the year, has meant better realization, driving up the revenue. Consequently, the accruals of company are expected to rise by at least 40% over previous year's Rs. 6 cr. Further, the operationalization of ongoing capex, by March 2021, shall ensure revenue growth of 10%, even on improved base, over medium term. MCL's financial has also improved benefitting from the raising of equity capital towards the end of fiscal 2020. This has resulted in much improved leverage (total outside liabilities to tangible net worth ratio) below 1 times and improved liquidity. With the controlled working capital cycle

and absence of any large debt funded capex plans, financial profile should sustain over medium term.

Ratings drivers

Strength

- Extensive experience of promoters in the copper wire industry
- Ramp up in operations
- Moderate financial profile

Weaknesses

- Modest profitability
- Vulnerability to fluctuation in raw material prices

Outlook: Stable

CRISIL Ratings believes MCL will continue to benefit from the extensive experience of its promoters and established relationships with customers.

Rating sensitivity factors

Upward factors

- Sustained revenue growth of 20%, backed by higher volume, with steady margin
- Significant and sustained improvement in the working capital cycle resulting in better return ratio

Downward factors

- Stretch in working capital cycle with gross current assets of over 120 days, indicating weakening of business profile
- Sharp decline in topline or profitability

About the company

MCL was set up as a private limited company in 2012, and reconstituted as a public limited company in fiscal 2017. The company was promoted by Mr Rohit B Chauhan, Mr Nilesh N Patel, and Ms Divya A Monapara. The Bhavnagar (Gujarat)-based company manufactures and trades in enameled and submersible wires. It is a part of the Madhav group.

Market position

- **Extensive experience of the promoters in the steel and other metal trading businesses:** Though MCL's promoters have been manufacturing FRP components for only over four years, the Madhav group has been involved in various businesses, related to metal trading, construction, and textiles, and has the requisite technological and market knowledge. Promoters have continuously upgraded manufacturing techniques to meet demand and ensure high quality of products. With successful track record of quality and delivery, the

promoters have established relationships with several customers, across segments such as transformers, motors, alternators, contactors, relays, and auto electricals. CRISIL believes the extensive experience of the promoters will help scale up operations over the medium term.

- **Significant scale up in operations:** During fiscal 2020, company clocked a turnover of Rs 2.02 billion and is expected to clock at least 60% growth in current fiscal. Over the years, company has shown healthy scale up in operations from Rs. 71 cr in fiscal 2021. This growth has been supported by extensive promoter experience and their relationship with the customers.
- **Susceptibility to volatility in raw material prices:** Copper is the key raw material used in enamelled round wires and submersible winding wires. However, as copper is an open market commodity traded globally on exchanges, prices are volatile. This, along with intense competition, affects revenue and profitability. Operating margin has fluctuated in the range of 2.5% to 4.5%. CRISIL believes the company will remain susceptible to volatility in copper prices over the medium term.

Operating efficiency

- **Moderate working capital intensity:** Gross current assets (GCAs) were moderate at 81 days as on March 31, 2020, with receivables of 24 days and inventory of 13days. Working capital management is supported by payables of 32 days. The GCA days are expected to be around 55-60 days over medium term.
- **Modest operating margin:** While the company scaled up, the operating margin has remained modest and volatile in range of 2.5% to 4.5%. CRISIL believes profitability will be modest, due to intense competition and volatility in raw material prices.

Financial risk profile

- **Comfortable capital structure:** Gearing was comfortable at 0.1 times as on March 31, 2020. Capital raised towards the end of FY20 augmented the net worth to Rs.422 million as on March 31, 2021.
- **Moderate debt-protection metrics:** Debt protection metrics will remain moderate, on account of controlled leverage and moderate cash accrual. Interest coverage and net cash accrual to total debt ratios were at 1.45 time and 8.3 times, respectively, in fiscal 2020.

Liquidity- Adequate

Bank limit utilisation is low at around 30 percent for the past thirteen months ended Oct 2020. Cash accrual are expected to be Rs. 80-100 million annually over the medium term against repayment obligations of Rs. 15 million; the surplus accruals shall support the capex or working capital requirements of company. The company has already incurred Rs. 35 million off the ongoing Rs. 50 million capex on

capacity expansion with the balance being completed by fiscal end. MCL is relying on internal accruals for the capex. Current ratio are healthy at 3.25 times on March 31, 2020. Low gearing and moderate net worth support its financial flexibility, and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Key Financial Indicators (Standalone)

As on for the year ended March 31	Unit	2020	2019	2018
		Actuals	Actuals	Actuals
Net Sales	Rs Crore	202	213	169
Operating Income	Rs Crore	202	213	169
OPBDIT	Rs Crore	9	9	5
PAT	Rs Crore	4	4	2
Net Cash Accruals	Rs Crore	6	5	3
Equity Share Capital	Rs Crore	14	6	2
Adjusted Networth	Rs Crore	42	13	9
Adjusted Debt	Rs Crore	4	12	7
OPBDIT Margins	%	4.4	4.2	2.7
Net Profit Margins	%	1.8	1.7	1.4
ROCE	%	19.7	34.2	23.4
PBDIT / Int. & Finance Charges	Times	8.30	7.08	5.10
Net Cash Accruals / Adjusted Debt	Times	1.45	0.45	0.42
Adjusted Debt / Adjusted Networth	Times	0.10	0.91	0.77
Adjusted Debt / PBDIT	Times	0.48	1.33	1.51
Current Ratio	Times	3.25	1.11	1.40
Cashflow from operations	Rs Crore	-7	4	6
TOL/ ANW	Times	0.40	2.43	1.47
Operating Income/Gross Block	Times	11.65	18.28	26.69
Gross Current Assets days	Days	81	54	36
Debtor Days	Days	24	40	30
Inventory Days	Days	20	13	4
Creditor Days	Days	19	32	13

Annexure 1: Bank-Details of Facility Classes

1.Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	Bank of Baroda	8	CRISIL BBB- / Stable
-	Total	8	-

2.Long Term Loan

#	Bank	Amount (Rs.Cr.)	Rating
a.	Bank of Baroda	3.5	CRISIL BBB- / Stable
-	Total	3.5	-

3.Term Loan

#	Bank	Amount (Rs.Cr.)	Rating
a.	Bank of Baroda	1.5	CRISIL BBB- / Stable
-	Total	1.5	-

4.Proposed Long Term Bank Loan Facility

#	Bank	Amount (Rs.Cr.)	Rating
a.		3.5	CRISIL BBB- / Stable
b.		1.5	CRISIL BBB- / Stable
-	Total	5	-