

22<sup>nd</sup> July, 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 downgraded its rating on long term bank facilities to "CRISIL BB+/ Negative" from "CRISIL BBB-/ Stable" of Madhav Copper Limited (MCL) intimation received via mail dated 21<sup>st</sup> July, 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

**Rating Rationale**  
**Madhav Copper Limited**

**Rating Action**

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.18 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB+/Negative (Downgraded from CRISIL BBB-/Stable)</b>

**Detailed Rationale**

CRISIL Ratings has downgraded its rating on the long-term bank facilities of Madhav Copper Ltd (MCL) to “CRISIL BB+/Negative” from “CRISIL BBB-/Stable”.

The rating action follows alleged evasion of Rs. 137 cr goods and service tax (GST) by MCL. Pursuant to the matter, the state goods and service tax (SGST) department has temporarily seized MCL’s land, bank accounts, stocks by following continued absence of Mr Nilesh Patel (Chairman) from meeting the authorities despite summons. As per the management, the case is currently subjudice and the impact and outcome of the event is uncertain. The rating action reflects the heightened management risk and adverse ruling or imposition of any material penalties shall remain key monitorable.

The rating reflects MCL’s moderate financial profile and significant scale up in operations. These strengths are partially offset by a modest operating margin and vulnerability to fluctuations in raw material prices.

**Analytical Approach:** NA

**Key Rating Drivers & Detailed Description**

**Strengths:**

**Moderate financial risk profile:** MCL had a net worth of Rs. 46.6 cr and gearing of 0.04 times as on March 31, 2021. Debt protection metrics were comfortable, with interest coverage and net cash accrual to total debt ratios of 11.2 times and over 3 times, respectively, for fiscal 2021. Crisil believes that financial risk profile will continue to remain moderate supported by networth.

**Significant growth in revenue:** During fiscal 2021, company clocked a turnover of Rs 384 crore growing by 60% growth over fiscal 2020. Over the years, company has shown healthy scale up in operations supported by extensive promoter experience and their relationship with the customers.

**Weakness:**

**Low operating profitability:** Operating margins has declined significantly in fiscal 2021 to 2.4% against 4.4% in previous year. Operating margin will continue to remain on lower side due to low value addition in product. CRISIL believes that any deviation in operating margins will remain key monitorable over the medium term.

**Susceptibility to volatile raw material prices:** Key input, copper, is an open market commodity, traded globally on exchanges. Hence, its prices are volatile, and affected the

margin of company. This, coupled with intense competition, affects growth in revenue and profitability.

**Liquidity profile: Adequate**

Bank limit utilisation is moderate below 50 percent of the sanctioned Rs. 8 cr limit. Cash accrual are expected to be Rs. 8-10 cr annually over the medium term against repayment obligations of below Rs. 1.5 cr. Low gearing and moderate net worth support its financial flexibility. However, the overall liquidity remains contingent to the outcome of the ongoing GST evasion investigation and the final liability on the company.

**Outlook** Negative

CRISIL Ratings believes that ongoing investigation may continue to disrupt the normal operations and adversely impact the financial profile.

**Rating Sensitivity factors**

Upward factors

- Favorable outcome in the ongoing investigation
- 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
- Implication of company in the investigation and imposition of high penalties

**About the Company**

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

**Key Financial Indicators**

As on/ for the period ended March 31		2021	2020
Operating income	Rs crore	384	202
Reported profit after tax	Rs crore	4.5	3.6
PAT margins	%	1.17	1.80
Adjusted Debt/ Adjusted Net worth	Times	0.04	0.10
Interest coverage	Times	11.4	7.73