



17<sup>th</sup> March, 2021

National Stock Exchange India Limited,  
Exchange Plaza; Plot no C/1, G Block,  
Bandra Kurla Complex- Bandra (E)  
Mumbai-400051

Symbol- MCL

Sub.: Response to clarification sought by National Stock Exchange of India Ltd. ("NSE") regarding  
Revision of Credit Rating

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

(ii) E-mail from NSE dated 17<sup>th</sup> March, 2021.

Dear Sir/Madam

We have been sought below clarification, in relation to the announcement submitted to the  
exchange regarding date on which the company received the letter from the credit rating agency  
and agency's letter assigning rating for the same.

In this regard we state that we have received mail from credit rating agency on 16<sup>th</sup> March, 2021 and  
the letter assigning rating is attached as annexure I.

We request you to take the above on record.

Thanking you,

Yours faithfully,

For Madhav Copper Limited

Swati Kathrotiya  
Company Secretary & Compliance Officer



Encl: As above

# Madhav Copper Limited

## Rating upgraded to 'CRISIL BBB- / Stable'

### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.14.5 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+ / Stable')</b>

*1 crore = 10 million*

*Refer to annexure for Details of Instruments & Bank Facilities*

### Detailed Rationale

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

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 much improved liquidity. With the controlled working capital cycle and absence of any large debt funded capex plans, financial profile should sustain over medium term.

The rating reflects 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.

### Analytical Approach: NA

### Key Rating Drivers & Detailed Description

**Strengths:**

**Significant growth in revenue:** During fiscal 2020, company clocked a turnover of Rs 202 crore 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.

**Moderate financial risk profile:** Gearing was moderate at 0.10 time as on March 31, 2020. Debt protection metrics were comfortable, with interest coverage and net cash accrual to total debt ratios of 8.3 times and 1.45 time, respectively, for fiscal 2020. Financial profile is expected to sustain over medium term.

**Weakness:**

**Low operating profitability:** Operating margin has been 2.5-4.5% due to limited value addition.

**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: 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. 8-10 cr annually over the medium term against repayment obligations of Rs. 1.5 cr; the surplus accruals shall support the capex or working capital requirements of company. The company has already incurred Rs. 3.5 cr off the ongoing Rs. 5 cr 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.

**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 2017. Promoted by Mr Rohit B Chauhan, Mr Nilesh N Patel, 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**

<b>As on/ for the period ended March 31</b>		<b>2020</b>	<b>2019</b>
Operating income	Rs crore	202.3	212.9
Reported profit after tax	Rs crore	3.6	3.6
PAT margins	%	1.80	1.71
Adjusted Debt/ Adjusted Net worth	Times	0.10	0.91
Interest coverage	Times	8.3	7.1