

08<sup>TH</sup> JUNE, 2022

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 BB+/ Negative" of Madhav Copper Limited (MCL) intimation received via mail dated 8<sup>th</sup> June, 2022 and the letter assigning rating is attached as annexure I.

Kindly take it on records.

Thanking you,

Your Faithfully,

**For Madhav Copper Limited**

  
**Kamlesh Solanki**  
CFO



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

**Works:** Plot No : 5B/B, Survey No. 346-47, Nr. Kobdi, Ukharla,  
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# Madhav Copper Limited

## Rating downgraded

### Rating Action

Total Bank Loan Facilities Rated	Rs 18 crore
Long Term Rating	CRISIL BB-/Negative (Downgraded from 'CRISIL BB+/Negative')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

### Detailed rationale

CRISIL Ratings has downgraded its rating on the long-term bank facilities of Madhav Copper Limited (MCL) to 'CRISIL BB-/Negative' from 'CRISIL BB+/Negative'.

The rating action reflects deterioration in business risk profile and moderate financial risk profile. Revenue had declined significantly from Rs 383 crore in FY21 to Rs 123 crore in FY22 due to no operation in company due to ongoing search of state goods and service tax (SGST) department. Subsequently company has reported losses of Rs 2.44 crore in FY22 (against Rs 4.47 crore in FY21). Team will continue to monitor impact and outcome of the event.

The rating reflects MCL's moderate financial profile. However, these strengths are partially offset by a sharp decline in revenue and profitability and vulnerability to fluctuations in raw material prices.

**Analytical approach:** NA

### **Key rating drivers and detailed description**

#### **Strengths**

##### **Moderate financial risk profile**

MCL had a net worth of Rs 44.21 and gearing of 0.15 times as on March 31, 2022. Debt protection metrics were average, with interest coverage and net cash accrual to total debt ratios of 2.1 times and over 0.07 times, respectively, for fiscal 2022. CRISIL rating believes that financial risk profile will continue to remain moderate supported by networth.

#### **Weaknesses**

##### **Sharp decline in revenue and profitability**

During fiscal 2022, revenue of company declined sharply from Rs 384 crore in FY21 to Rs 123 crore. Over the years, revenue profile of company expected to remain subdued. Operating margins has declined significantly to 1.49% in FY22 (against 2.38% in FY21) due to lower economies of scale. Furthermore, operating margin 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:** Adequate

Bank limit utilisation is moderate below 80 percent of the sanctioned Rs 8 crore limit. Cash accruals are expected negative over the medium term against no repayment obligations. 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**

Particulars	Unit	2022	2021
Revenue	Rs crore	123.9	383.3
Profit after tax (PAT)	Rs crore	-2.4	4.4
PAT margin	%	-1.9	1.2
Adjusted debt/adjusted networth	Times	0.1	0.0
Interest coverage	Times	2.1	11.0

**Status of non-cooperation with previous CRA:** not applicable

**Any other information:** not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.