Modern Insulators Limited
Registered Office : Talheti, Village : Karoli, Tehsil : Abu Road
District : Sirohi - 307510 (Rajasthan) India
Phone: 02974-228044 to 228047, Fax : 02974-228043
www.moderninsulators.com CIN- L31300RJ1982PLC002460
Email : compliance@moderninsulators.com

AN ISO 9001 & 14001 UNIT

Date: - 19/05/2021

BSE Ltd.
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Dear Sir,

Sub: - Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Credit Ratings

Scrip Code: BSE 515008

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to intimate you that India Ratings and Research Pvt. Ltd., vide its letter dated. 18th May 2021 has assigned its ratings to the Company as under:

S. No.	Particulars	Rating Action
1.	Fund-based working capital limits (Rs. 136.06 Crores)	IND BBB/Stable (Assigned)
2.	Non-fund-based working capital limits (Rs. 60 crores)	IND A3+ (Assigned)

A copy of press release from India Ratings and Research Pvt. Ltd is enclosed herewith for your record.

This is for your kind reference and records.

Thanking you

Yours Faithfully
For Modern Insulators Limited

Gaurav

Gaurav Goyal
Company Secretary &
Compliance officer

Encl: - As above

India Ratings & Research
A Fitch Group Company

India Ratings Assigns Modern Insulators 'IND BBB'/ Stable

18

MAY 2021

By Pranay Joshi

India Ratings and Research (Ind-Ra) has assigned Modern Insulators Limited (MIL) a Long-Term Issuer Rating of 'IND BBB'. The Outlook is Stable. The Instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits				INR1,360.6	IND BBB/Stable	Assigned
Non-fund-based working capital limits				INR600	IND A3+	Assigned

KEY RATING DRIVERS

Improvement in EBITDA Margin in FY21: MIL recorded margins of 7.5%-8.5% over FY17-FY20. The margin had declined on a yoy basis to 7.6% in FY20 (FY19: 8.6%) because of the losses incurred by the terry towel division. During 9MFY21, however, the margin rose significantly to 10.7% due to energy savings from the 3MW solar captive plant that was commissioned in 2HFY20 and reduced wastages, resulting from the automation of some processes. Furthermore, the cost-reduction measures implemented by the terry towel division helped to narrow its losses in 1HFY21, and also enabled it to achieve profits before interest and tax of INR5.8 million in 3QFY21. Ind-Ra expects the margins to have increased on a yoy basis in FY21. MIL's insulator business involves the designing and customisation of the products in line with the customer's requirements, which enables it to report stable margins. Ind-Ra believes MIL will sustain its higher margins over the medium term, backed by energy savings and cost-cutting initiatives.

Comfortable Credit Metrics: MIL's credit metrics had weakened in FY20 due to a decline in the absolute EBITDA to INR333 million in FY20 (FY19:376 million). The gross interest coverage (operating EBITDAR/gross interest expense + rent) was 2.5x in FY20 (FY19:3.4x) and the net leverage (total adjusted net debt/operating EBITDAR) was 2.8x (1.98x). However, during 9MFY21, the interest coverage improved to 3.7x due to an increase in the EBITDA margins. Ind-Ra expects the credit metrics to have improved on a yoy basis in FY21 because of the rise in the margins.

Liquidity Indicator - Adequate: MIL's average utilisation of the fund-based limits was 60% over the 12 months ending March 2021. The company's cash flow from operation had fallen to INR187 million in FY20 (FY19:INR219 million). MIL recorded cash flow from operations of INR270 million in 1HFY21. In FY20, the free cash flow had declined to INR3.7 million (FY19: INR138 million) due to the incurring of capex of INR124 million. The company had cash and bank balance of INR75.7 million as on 30 September 2021. The company does not have any repayment obligations.

Medium Scale of Operations; Low Customer Concentration Risk: MIL's revenue dipped to INR4,397 million in FY20 (FY19: INR4,400 million) owing to lower volume sales of insulators due to a fall in demand from equipment manufacturers. The insulator division's revenue declined to INR3,872 million in FY20 (FY19: INR3,925 million) and the terry towel division's revenue rose to INR495 million (INR475 million). In 9MFY21, the company reported revenue of INR2,710 million (insulators: INR2,351 million; terry towel: INR359 million). In FY21, the revenue is likely to have decreased on a yoy basis because of lower realisations and volume sales in the insulator division, as demand was impacted by COVID-19-led disruptions. As of March 2021, the company had an order book of around INR1,000 million, scheduled to be executed in 1QFY22. Ind-Ra believes the company will sustain its scale of operations over the medium term, backed by the heathy order book. Furthermore, MIL's business profile is supported by its low customer concentration risk, with no single customer having contributed more than 15% to the revenue in FY20.

Limited Impact of amalgamation with Modern Denim Limited (MDL): In December 2019, MIL announced the amalgamation of MDL with itself. The scheme of amalgamation has been approved by the board of directors and has been submitted for approval to the National Company Law Tribunal, post which the company would need to seek approval from other authorities as well.

As per the scheme, MIL will make a cash payment of INR576 million to MDL over and above exchange of shares; of this, MIL had already paid INR476 million as on 30 September 2020 in the form of unsecured loans. MDL does not have any outstanding debt with any bank or financial institution. However, it has unpaid debt non-convertible debentures of INR62 million (principal: INR33 million; unpaid dividend: INR29 million) and unpaid fixed deposits of INR161 million (principal: INR67 million; unpaid interest: INR94 million) since FY98-FY99. The balance payment of INR100 million from MIL would be utilised at the time of amalgamation to repay the principal obligation of the non-convertible debentures and fixed deposits. MIL's absolute EBITDA levels can easily absorb MDL's EBITDA loss of INR12.7 million. The amalgamation will further enhance MIL's cash flow by reducing the tax burden by way of MDL's accumulated losses. Ind-Ra believes there will be limited impact of the amalgamation on MIL's liquidity, credit profile or business profile. However, the final impact of the amalgamation will be a key monitorable.

Working Capital-Intensive Operations: MIL's working capital cycle remained elongated at 145 days in FY20 (FY19: 135 days) on account of its long receivables period and stretched inventory holding period, which is inherent to the business. The working capital cycle deteriorated on a yoy basis to due to an increase in the inventory days to 115 days in FY20 (FY19: 84 days). MIL's customers include large transformer manufacturers, electricity boards and railways, wherein payments are realised between 90-140 days. The company maintains inventory of 90-120 days. MIL's credit period hovers between 30-45 days. Its payable days stood at 41 days in FY20 (FY19: 24 days). The agency expects the working capital cycle to remain elongated as the company has to maintain high inventory levels to ensure smooth execution of orders.

RATING SENSITIVITIES

Positive: The following developments, individually or jointly, will be positive for the rating:

- completion of the amalgamation process as per the scheme of amalgamation.
- an improvement in the scale of operations, resulting in the gross interest coverage exceeding 4x, on a sustained basis.

Negative: A significant decline in the revenue or operating profitability, leading to the gross coverage falling below 2.5x, on a sustained basis, or any deterioration in the liquidity position will be negative for the ratings.

COMPANY PROFILE

Established in 1982, MIL commenced its operations by manufacturing alumina porcelain insulators for high voltage and extra high voltage transmission lines and electrical equipment in technical collaboration with Siemens, AG, Germany. The manufacturing facility for insulators is located in Abu Road, Rajasthan, with an installed capacity of 24,000 metric tonnes per annum. The company is one of the major exporters of H.T. Porcelain Insulators from India. MIL has two business segments: insulators and terry towels.

Financial Summary:

Summary Income Statement	**9MFY21**	**FY20**	**FY19**
Gross Revenues (+)	2710	4,397.20	4,400.47
Operating EBITDAR	289	333.79	376.75
Operating EBITDAR Margin (%)	10.66	7.59	8.56
Operating EBITDAR/Gross Interest Expense + Rents	3.74	2.58	3.41
Total Adjusted Net Debt/Operating EBITDAR	NA	2.86	1.98
Source: MIL; Ind-Ra			

NON-COOPERATION WITH PREVIOUS RATING AGENCY

MIL has been listed under the 'Non-Co-operation by the Issuer' category by Care Ratings Ltd. due to inadequate information provided by the company

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Fund based Working Capital Limits	Low
Non-Fund based Working Capital Limits	Low

For details on the complexity levels of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Corporate Rating Methodology