

**SEC/BSE/60/2023-24**4<sup>th</sup> January, 2024

To  
**The Manager**  
**Corporate Relationship Department,**  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400001

**Scrip Code : 517449**  
**ISIN : INE437D01010**

Dear Sir/Madam,

**Sub: Intimation under Regulation 30 of the SEBI (LODR) Regulations,2015 – Credit Rating**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the CARE Ratings Limited has reaffirmed /assigned the below Ratings to the Bank Facilities of the Company.

Facilities	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	15.00	CARE BBB+; Stable	Assigned
Long Term Bank Facilities	10.00	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	15.25 (Reduced from 16.25)	CARE A2	Reaffirmed

The Rating Rationale is enclosed for your reference. The above information is also placed on the website of the Company at [www.magnacast.com](http://www.magnacast.com).

Kindly request you to take this information on record.

Thanking you

Yours faithfully,  
**For Magna Electro Castings Limited**

Divya Duraisamy  
**Company Secretary & Compliance Officer**

Encl: As above

## Rating Rationale

### Magna Electro Castings Limited

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE BBB+; Stable	Assigned
Long Term Bank Facilities	10.00	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	15.25 (Reduced from 16.25)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

#### Rationale and key rating drivers

The ratings assigned to the bank facilities of Magna Electro Castings Limited (MECL) continue to derive strength from the vast experience of the promoters, long track record of operations of over three decades in casting business, well-established manufacturing facilities, healthy capital structure and debt coverage indicators.

The ratings are, however, constrained by moderate scale of operations albeit improved during FY23 (refers to the period April 1 to March 31) with relatively lower level of capacity utilisation, exposure of margins to volatile raw material prices and foreign exchange risk and intensely competitive and fragmented nature of industry.

#### Rating sensitivities: Factors likely to lead to rating actions

##### Positive factors

- Consistent improvement in the scale of operations with income above ₹300 crore through diversified client base.
- Sustainable improvement in the operating margins above 15%.

##### Negative factors

- Any large-sized debt-funded capex leading to deterioration in capital structure with overall gearing levels greater than 0.80x.

#### Analytical approach: Standalone

##### Outlook: Stable

The stable outlook reflects the company is expected to maintain comfortable capital structure with less reliance on external borrowings and sustained operational performance with steady order book position.

#### Detailed description of the key rating drivers:

##### Vast experience of the promoters and management

MECL was promoted in 1990 by N. Krishna Samaraj, an Engineer and Management graduate by qualification. He has more than two decades of business experience in the casting industry. He is the ex-president of "The Institute of Indian Foundry men" and currently takes care of the overall management of the company. He is assisted by a well-qualified and experienced team of professionals to take care of the day-to-day operations of the company.

##### Long track record of operations of over three decades in casting business

MECL has a long track record of presence for over three decades in the industry. The company caters to different sectors, such as automotive, locomotive, windmill, transmission, valves industries with no sector contributing to more than 20% of the revenue. In automobiles, the company mainly supplies to heavy vehicle manufacturing companies. MECL also has niche products, such as complicated fabricating, prototyping, machining, and heat treatment. The company caters to both domestic and export markets with export sales contributing to 48% in FY23 (PY: 55%).

##### Well-established manufacturing facilities with in-house machining capabilities

MECL has well-established manufacturing facilities supported by its backward integration. The company's manufacturing facility is located at Coimbatore Pollachi main road, Tamil Nadu, which is spread over 10 acres of

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Ltd.'s publications

#### CARE Ratings Limited

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)

land having in-house facilities such as metal handling, moulding, melting, sand plant, heat treatment, finishing, core shop, testing facilities and packing. MECL has three furnaces with aggregate capacity of 3 tons/hour with windmills of 3.25 MW for captive consumption purposes which met around 44% of the power requirement of the unit. Since December 2022, MEPL had entered into solar power purchase agreement for next 20 years which together with existing windmills would meet around 80% of its power requirements of the existing facility. The company also does a part of its machining from its sister concern 'Samrajyaa and Company' located near MECL's unit to the extent of ₹12.78 crore in FY23 (PY: ₹11.76 crore). MECL's design and engineering capability and the ability to manufacture castings as per customised requirements enables it to get repeat orders from its Tier-I customers. Additionally, the company is undertaking capex to augment its moulding capacity, which will enable the Company to produce castings in different weight segments to cater to the requirements of its customers.

### **Healthy capital structure and debt coverage indicators**

The capital structure of MECL stood healthy with nil debt obligations as on March 31, 2023. The total debt / gross cash accruals (TDGCA) ratio also stood comfortable at 0.01x as on March 31, 2023 (PY: 0.42x). The interest coverage stood healthy at 89.77x during FY23 (PY: 42.77x). The Company is undertaking capex of Rs. 35.13 crore funded by term loan of Rs.15 crore and rest by accruals to augment its moulding capacity, which will enable the company to produce castings in different weight segments to cater to the requirements of its customers. The above capex is expected to be completed by December 2024. Nevertheless, the capital structure is expected to remain healthy with accretion of profits.

### **Moderate scale of operations however improved in FY23**

The operating income of the company has remained moderate in the range of ₹95-100 crore the past two years ended FY21 on the back a general slow-down in the auto industry and other related sectors resulting in the decline in the orders, which was further aggravated by the outbreak of COVID-19. However, the income improved in the past two years to ₹165 crore in FY23 (PY: ₹135 crore) backed by revival of demand and better sales realization. The PBILDT margin also improved to 15.59% in FY23 and continued at 16.84% in H1FY24, reaching pre-covid levels.

Despite the long track record of operations and relationship with a wide array of clients across industries, the size of operations remains relatively modest. Furthermore, the capacity utilisation levels have been moderate in the range of 55% to 65% for the past three years ended FY23.

### **Margins exposed to volatile raw material prices and foreign exchange risk**

MECL's financial risk profile is constrained by volatile PBILDT margins, although comfortable in the range of 10%-16% in the past three years ended FY23. The primary raw materials used for the ductile iron casting include steel scrap and ferro alloys, whose prices are inherently volatile and driven largely by global as well as local demand and supply conditions. The steel scrap prices had increased significantly during Q4FY22 after the outbreak of Russia-Ukraine war and has reduced after Q2FY23 resulting in higher margins at 15.59% in FY23 (PY: 10.03%). Steel scrap contributes to 85% of the total raw material requirement and the rest is contributed by Ferro alloys and other raw materials like pig iron and graphite granules. Hence, any volatility in the prices of these materials may impact the profitability of MECL. The PBILDT margin, which stood at 19.26% in H1FY23 declined to 11.92% in H2FY23 and again improved to 16.84% in H1FY24, primarily due to raw material price volatility. Furthermore, with about 48% of the income from export markets, the company's realisations are also exposed to the risk on volatility in foreign exchange rates.

### **Highly competitive nature of industry**

The demand for the castings industry is driven primarily by growth in infrastructure, industrial growth and the need for energy-efficient solutions. India is a strong base for manufacturing of casting-related products with presence of more casting units. India's low-cost manufacturing and local demand has made it a profitable proposition. The presence of international players in the market has led to a significant up-gradation in technology leading to better solutions for end users. The automobile and pumps segment accounts for major market for castings which are

### **CARE Ratings Limited**

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

cyclical in nature. Low entry barriers and a price-sensitive end user have led to unorganised sector capturing some share in the market leading to price competition.

**Liquidity:** Adequate

The liquidity of the company is adequate with NIL long-term debt repayments against accruals of ₹22.15 crore in FY23 and free cash balance of ₹21.55 crore as on March 31, 2023. The working capital utilization stood low at 5.58% during the 12 months ended November 2023. The current ratio of the company stood comfortable at 3.20x as on March 31, 2023 (PY: 2.7x). The company gives a credit period of 75-90 days to its foreign clients, while it gives a credit period of around 60-75 days to its domestic customers.

**Assumptions/Covenants** Not applicable

**Environment, social, and governance (ESG) risks** Not applicable

**Applicable criteria**

- [Policy on default recognition](#)
- [Financial Ratios – Non financial Sector](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Credit Watch](#)
- [Short Term Instruments](#)
- [Auto Ancillary Companies](#)
- [Manufacturing Companies](#)

**About the company and industry**

**Industry Classification**

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Good	Industrial Products	Castings & Forgings

Magna Electro Castings Limited (MECL) is a public limited company listed in BSE and was incorporated in the year 1990 by N Krishna Samaraj who has more than two decades of business experience. MECL is engaged in business of manufacturing & supplying ductile and grey iron castings in the weight range of 300 grams to maximum of 2000 kilograms. MECL also produces fully machined components utilising its in-house CNC machine shop and other facilities as well. MECL caters to various end-user industries like auto, locomotives, valve, windmills, transmission, etc. As on March 31, 2023, MECL had an installed capacity of 13140 MT for production of ductile iron castings.

**Financial Performance**

Rs. crore

For the period ended / as at March 31,	2021	2022	2023	H1FY24
	(12m, A)	(12m, A)	(12m, A)	(6m, UA)
<b>Working Results</b>				
Net Sales	96.78	133.08	160.32	71.20
Total Operating income	98.10	135.84	164.65	72.20
PBILDT	10.33	13.63	25.67	12.16
Interest	0.05	0.32	0.29	0.08
Depreciation	4.17	4.59	5.51	2.13
PBT	7.03	10.35	23.17	10.02
PAT (after deferred tax)	5.20	7.72	17.12	7.5
Gross Cash Accruals	9.10	11.93	22.15	9.63
<b>Financial Position</b>				
Equity Capital	4.23	4.23	4.23	4.23
Networth	71.33	78.30	94.30	NA
Total capital employed	71.19	84.19	96.12	NA
<b>Key Ratios</b>				
<b>Growth</b>				

**CARE Ratings Limited**

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

For the period ended / as at March 31,	2021 (12m, A)	2022 (12m, A)	2023 (12m, A)	H1FY24 (6m, UA)
Growth in Total income (%)	0.42	38.47	21.20	NA
Growth in PAT (after deferred tax) (%)	-22.09	48.45	121.71	NA
<b>Profitability</b>				
PBILDT/Total Op. income (%)	10.53	10.03	15.59	16.84
PAT /Total income (%)	5.30	5.68	10.40	10.39
ROCE (%)	9.57	22.80	25.83	
<b>Solvency</b>				
Debt Equity ratio (times)	0.00	0.00	0.00	NA
Overall gearing ratio(times)	0.00	0.06	0.00	NA
Interest coverage(times)	206.52	42.77	89.77	152.00
Term debt/Gross cash accruals (years)	0.01	0.01	0.01	NA
Total debt/Gross cash accruals (years)	0.01	0.42	0.01	NA
<b>Liquidity</b>				
Current ratio (times)	3.28	2.70	3.20	NA
Quick ratio (times)	2.85	2.26	2.79	NA
<b>Turnover</b>				
Average collection period (days)	99	92	86	NA
Average inventory (days)	36	29	28	NA
Average creditors (days)	56	49	44	NA
Operating cycle (days)	80	72	70	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Details of rated facilities:** Please refer Annexure-3

**Complexity level of various instruments rated:** Annexure 4

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	October 2030	15.00	CARE BBB+; Stable
Fund-based - ST-FBN / FBP		-	-	-	10.00	CARE A2
Non-fund-based - ST-BG/LC		-	-	-	5.25	CARE A2

#### Annexure-2: Rating history for the last three years

#### CARE Ratings Limited

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT*	10.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (31-Jan-23)	1)CARE BBB+; Stable (27-Dec-21)	1)CARE BBB+; Stable (04-Jan-21)
2	Fund-based - ST-FBN / FBP	ST**	10.00	CARE A2	-	1)CARE A2 (31-Jan-23)	1)CARE A2 (27-Dec-21)	1)CARE A2 (04-Jan-21)
3	Non-fund-based - ST-BG/LC	ST**	5.25	CARE A2	-	1)CARE A2 (31-Jan-23)	1)CARE A2 (27-Dec-21)	1)CARE A2 (04-Jan-21)
4	Fund-based - LT-Term Loan	LT*	15.00	CARE BBB+; Stable				

\*Long term /\*\* Short term

### Annexure-3: Details of Rated Facilities

#### 1. Long-term facilities

##### 1.A. Term loans

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Debt Repayment Terms
1.	Union Bank of India	15.00	Sanctioned limits; Repayable on 60 equal monthly instalments starting from October 2025
	<b>Total</b>	<b>15.00</b>	

##### 1.B. Fund-based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	Axis Bank Ltd.	5.00	Cash Credit
2.	Union Bank of India	5.00	Cash Credit
	<b>Total</b>	<b>10.00</b>	

**Total long-term facilities: ₹25.00 crore**

#### 2. Short-term facilities

##### 2.A. Fund-based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	Union Bank of India	10.00	Foreign Bill Discounting
	<b>Total</b>	<b>10.00</b>	

##### 2.B. Non-fund-based limits

#### CARE Ratings Limited

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456

Email: care@careedge.in • www.careedge.in

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	Union Bank of India	5.00	Letter of Credit
2.	Union Bank of India	0.25	Bank Guarantee
	<b>Total</b>	<b>5.25</b>	

**Total short-term facilities: ₹15.25 crore**

**Total facilities (1.A+2.A+2.B): ₹40.25 crore**

**Annexure-4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-FBN / FBP	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Annexure-5: Detailed explanation of covenants of the rated instruments/facilities** Not applicable

**CARE Ratings Limited**

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

**Contact us**

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Sandeep P Director <b>CARE Ratings Limited</b> Phone: 044-28497812 E-mail: <a href="mailto:sandeep.prem@careedge.in">sandeep.prem@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	  Naveen S Assistant Director <b>CARE Ratings Limited</b> Phone: 0422- 4332399 E-mail: <a href="mailto:naveen.kumar@careedge.in">naveen.kumar@careedge.in</a>
	  Gokila Sivaraj Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:gokila.sivaraj@careedge.in">gokila.sivaraj@careedge.in</a>

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**Disclaimer:**

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**CARE Ratings Limited**

*T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399*

*4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)*

CIN-L67190MH1993PLC071691



**CONTACT**

**CARE Ratings Ltd.**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456

**REGIONAL OFFICES**

**AHMEDABAD**

32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015  
Phone : +91-79-4026 5656

**ANDHERI – MUMBAI**

A Wing - 1102 / 1103, Kanakia Wall Street, Andheri Kurla Road, Chakala, Andheri (E), Mumbai - 400 093

**BENGALURU**

Unit No. 205-208, 2nd Floor, Prestige Meridian 1, No. 30, M.G. Road, Bengaluru, Karnataka - 560 001  
Phone: +91-80-4662 5555

**CHENNAI**

Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002  
Phone : +91-44-2849 7812 / 0811

**COIMBATORE**

T-3, 3rd Floor, Manchester Square, Puliakulam Road, Coimbatore - 641 037  
Phone : +91-422-433 2399 / 450 2399

**HYDERABAD**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029  
Phone : +91-40-4010 2030

**KOLKATA**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.) 10A, Shakespeare Sarani, Kolkata - 700 071  
Phone: +91-33-4018 1600

**NOIDA**

9th floor, C-001/A2, Berger Towers, Sector 16B, Noida, Gautam Budh Nagar, Uttar Pradesh -201301  
Phone: +91-120-4452000

**PUNE**

9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 016  
Phone : +91-20- 4000 9000

**CIN - L67190MH1993PLC071691**

**CARE Ratings Limited**

*T-3, Manchester Square, 3rd Floor, No: 14, Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399*

**CIN-L67190MH1993PLC071691**

*4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in*

**Press Release**  
**Magna Electro Castings Limited**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>2</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE BBB+; Stable	Assigned
Long Term Bank Facilities	10.00	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	15.25 (Reduced from 16.25)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

**Rationale and key rating drivers**

The ratings assigned to the bank facilities of Magna Electro Castings Limited (MECL) continue to derive strength from the vast experience of the promoters, long track record of operations of over three decades in casting business, well-established manufacturing facilities, healthy capital structure and debt coverage indicators.

The ratings are, however, constrained by moderate scale of operations albeit improved during FY23 (refers to the period April 1 to March 31) with relatively lower level of capacity utilisation, exposure of margins to volatile raw material prices and foreign exchange risk and intensely competitive and fragmented nature of industry.

**Rating sensitivities: Factors likely to lead to rating actions**

**Positive factors**

- Consistent improvement in the scale of operations with income above ₹300 crore through diversified client base.
- Sustainable improvement in the operating margins above 15%.

**Negative factors**

- Any large-sized debt-funded capex leading to deterioration in capital structure with overall gearing levels greater than 0.80x.

**Analytical approach:** Standalone

**Outlook:** Stable

The stable outlook reflects the company is expected to maintain comfortable capital structure with less reliance on external borrowings and sustained operational performance with steady order book position.

**Detailed description of the key rating drivers:**

**Key strengths**

**Vast experience of the promoters and management**

MECL was promoted in 1990 by N. Krishna Samaraj, an Engineer and Management graduate by qualification. He has more than two decades of business experience in the casting industry. He is the ex-president of "The Institute of Indian Foundry men" and currently takes care of the overall management of the company. He is assisted by a well-qualified and experienced team of professionals to take care of the day-to-day operations of the company.

**Long track record of operations of over three decades in casting business**

MECL has a long track record of presence for over three decades in the industry. The company caters to different sectors, such as automotive, locomotive, windmill, transmission, valves industries with no sector contributing to more than 20% of the revenue. In automobiles, the company mainly supplies to heavy vehicle manufacturing companies. MECL also has niche products, such as complicated fabricating, prototyping, machining, and heat treatment. The company caters to both domestic and export markets with export sales contributing to 48% in FY23 (PY: 55%).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**CARE Ratings Limited**

*T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399*

*4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)*

## Well-established manufacturing facilities with in-house machining capabilities

MECL has well-established manufacturing facilities supported by its backward integration. The company's manufacturing facility, spread over 10 acres of land has in-house facilities, such as metal handling, moulding, melting, sand plant, heat treatment, finishing, core shop, testing facilities and packing. Some part of the machining is also done from its sister concern 'Samrajyaa and Company' located near MECL's unit. Additionally, the company is in plans to augment its moulding capacity, which will enable the Company to produce castings in different weight segments to cater to the requirements of its customers.

## Healthy capital structure

The capital structure of MECL stood healthy with nil debt obligations as on March 31, 2023. The total debt / gross cash accruals (TDGCA) ratio also stood comfortable at 0.01x as on March 31, 2023 (PY: 0.42x). The interest coverage stood healthy at 89.77x during FY23 (PY: 42.77x). The Company is undertaking debt funded capex to augment its moulding capacity, which will enable the company to produce castings in different weight segments to cater to the requirements of its customers, which is expected to be completed by December 2024. Nevertheless, the capital structure is expected to remain healthy with accretion of profits.

## Key weaknesses

### Moderate scale of operations however improved in FY23

Despite the long track record of operations and relationship with a wide array of clients across industries, the size of operations remained relatively moderate marked by operating income of the company at ₹165 crore in FY23, albeit improved from ₹135 crore in FY22, with recovery in demand to pre-covid levels. The capacity utilisation levels have been moderate in the range of 55% to 65% for the past three years ended FY23.

### Margins exposed to volatile raw material prices and foreign exchange risk

The primary raw materials used for the ductile iron casting include steel scrap and ferro alloys, whose prices are inherently volatile and driven largely by global as well as local demand and supply conditions. Hence, any volatility in the prices of these materials may impact the profitability of MECL. The steel scrap prices has increased significantly during Q4FY22 after the outbreak of Russia-Ukraine war and has reduced after Q2FY23. Furthermore, CARE Ratings notes that with about 48% of the income from export markets, the company's realisations are also exposed to the risk on volatility in foreign exchange rates.

### Highly competitive nature of industry

The demand for castings industry is driven primarily by growth in infrastructure, industrial growth and the need for energy-efficient solutions. India is a strong base for manufacturing of casting-related products with presence of more casting units. India's low-cost manufacturing and local demand has made it a profitable proposition. The presence of international players in the market has led to a significant up-gradation in technology leading to better solutions for end users. The automobile and pumps segment accounts for major market for castings, which are cyclical in nature. Low entry barriers and a price-sensitive end user have led to unorganised sector capturing some share in the market leading to price competition.

### Liquidity: Adequate

The liquidity of the company is adequate with NIL long-term debt repayments against accruals of ₹22.15 crore in FY23 and free cash balance of ₹21.55 crore as on March 31, 2023. The working capital utilization stood low at 5.58% during the 12 months ended November 2023. The current ratio of the company stood comfortable at 3.20x as on March 31, 2023 (PY: 2.7x). The company gives a credit period of 75-90 days to its foreign clients, while it gives a credit period of around 60-75 days to its domestic customers.

**Assumptions/Covenants** – Not applicable

**Environment, social, and governance (ESG) risks** - Not applicable

## CARE Ratings Limited

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

## Applicable criteria

- [Policy on default recognition](#)
- [Financial Ratios – Non financial Sector](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Credit Watch](#)
- [Short Term Instruments](#)
- [Auto Ancillary Companies](#)
- [Manufacturing Companies](#)

## About the company and industry

### Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Good	Industrial Products	Castings & Forgings

Magna Electro Castings Limited (MECL) is a public limited company listed in BSE and was incorporated in the year 1990 by N Krishna Samaraj who has more than two decades of business experience. MECL is engaged in business of manufacturing & supplying ductile and grey iron castings in the weight range of 300 grams to maximum of 2000 kilograms. MECL also produces fully machined components utilising its in-house CNC machine shop and other facilities as well. MECL caters to various end-user industries like auto, locomotives, valve, windmills, transmission, etc. As on March 31, 2023, MECL had an installed capacity of 13140 MT for production of ductile iron castings.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	H1FY24 (UA)
Total operating income	135.84	164.65	72.20
PBILDT	13.63	25.67	12.16
PAT	7.72	17.12	7.5
Overall gearing (times)	0.06	0.00	NA
Interest coverage (times)	42.77	89.77	152.00

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	October 2030	15.00	CARE BBB+; Stable

### CARE Ratings Limited

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-FBN / FBP		-	-	-	10.00	CARE A2
Non-fund-based - ST-BG/LC		-	-	-	5.25	CARE A2

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating History			
			Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT*	10.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (31-Jan-23)	1)CARE BBB+; Stable (27-Dec-21)	1)CARE BBB+; Stable (04-Jan-21)
2	Fund-based - ST-FBN / FBP	ST**	10.00	CARE A2	-	1)CARE A2 (31-Jan-23)	1)CARE A2 (27-Dec-21)	1)CARE A2 (04-Jan-21)
3	Non-fund-based - ST-BG/LC	ST**	5.25	CARE A2	-	1)CARE A2 (31-Jan-23)	1)CARE A2 (27-Dec-21)	1)CARE A2 (04-Jan-21)
4	Fund-based - LT-Term Loan	LT*	15.00	CARE BBB+; Stable				

\*Long term / \*\*Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities** Not applicable

**Annexure-4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-FBN / FBP	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**CARE Ratings Limited**

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: care@careedge.in • www.careedge.in

**Contact us**

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Sandeep P Director <b>CARE Ratings Limited</b> Phone: 044-28497812 E-mail: <a href="mailto:sandeep.prem@careedge.in">sandeep.prem@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Naveen S Assistant Director <b>CARE Ratings Limited</b> Phone: 0422- 4332399 E-mail: <a href="mailto:naveen.kumar@careedge.in">naveen.kumar@careedge.in</a>
	Gokila Sivaraj Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:gokila.sivaraj@careedge.in">gokila.sivaraj@careedge.in</a>

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**Disclaimer:**

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**CARE Ratings Limited**

T-3, Manchester Square, 3rd Floor, No: 14,  
Puliakulam Road, Coimbatore - 641037  
Phone: +91-422-433 2399/ +91-422-450 2399

4th Floor, Godrej Coliseum, Somaiya Hospital  
Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone: +91-22-6754 3456  
Email: [care@careedge.in](mailto:care@careedge.in) • [www.careedge.in](http://www.careedge.in)

CIN-L67190MH1993PLC071691