

Press Release

Mashiva Steel And Alloys LLP

February 06, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 13.00 crore bank facilities of Mashiva Steel And Alloys LLP (MSAL). The outlook is '**Stable**'.

Incorporated in 2017, MSAL is a Raigarh (Chhattisgarh) based partnership firm promoted by Mr. Surinder Kumar Kansal, Mr. Rajinder Bansal, Mr. Ajay Bansal, Mr. Rajat Garg and Mr. Deepak Kansal. MSAL has undertaken a green field project to set up a manufacturing unit of MS Billets with an installed capacity of 60,000 MTPA. The commercial operations have commenced from November 2018. The total project cost is around Rs.22.70 crore funded through term loan of Rs.5.50 crore, capital infusion of Rs.6.00 crore and unsecured loan of Rs.11.20 crore.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MSAL to arrive at the rating.

Key Rating Drivers

Strengths

- **Locational advantage**

The company's manufacturing facility is located in Raigarh district, which is easily accessible to the sponge iron producing unit in the district and in surrounding area of Raipur. Favourable location of the plant will ensure timely availability of raw material apart from saving on logistics costs. Further, the mill also enjoys close proximity to markets based in Raipur and Raigarh, which are the major steel producing areas in central India resulting in healthy demand for the end products.

Weaknesses

- **Nascent stage of operations**

The operations of MSAL commenced in November, 2018. Timely stabilisation of operations and ramp-up in revenue and operating profitability in the initial stage of operations will remain a key concern.

- **Intense competition and inherent cyclical nature of steel industry**

MSAL is exposed to intense competition in steel sector due to the presence of a large number of unorganised players on account of low entry barriers with little technology intensity and limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, MSAL's business risk profile is exposed to the inherent cyclical nature in these sectors.

Liquidity Profile

MSAL has moderate liquidity position. The net cash accruals are expected to be adequate to service its long term debt obligations. The cash accruals of MSAL are estimated to be in the range of 1.20-4.50 crore during 2019-21 as against debt obligation of Rs 1.08 Crore each year through FY2019-21. MSAL's working capital operations are expected to be moderate with expected gross current asset to be in range 70-80 days through FY2019-21.

Outlook: Stable

Acuité believes that MSAL will maintain 'Stable' outlook over the medium term on account of the experienced management and demand prospects of the sector. The outlook may be revised to 'Positive' in case adequate ramp up in sales is demonstrated. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue resulting in lower accruals as compared to debt repayment obligations.

About the Rated Entity - Key Financials

Not applicable as the operations have commenced in November 2018.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B / Stable

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About Acuité Ratings & Research:

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