



Press Release
MUKA ND LIMITED
January 03, 2024

Rating Notice of Withdrawal Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1400.00	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.48	Not Applicable Withdrawn	-
Fixed Deposits (FD)	180.48	ACUITE BBB Stable Notice of Withdrawal	-
Bank Loan Ratings	185.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	180.48	-	-
Total Withdrawn Quantum (Rs. Cr)	1585.48	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long term rating of **ACUITE BBB (read as ACUITE triple B)** on the Rs.1400 Cr bank loan facilities of Mukand Limited (ML).

Acuite has reaffirmed and withdrawn its short term rating of **ACUITE A3+ (read as ACUITE A three plus)** on the Rs. 185 Cr bank loan facilities of Mukand Limited (ML). Further, the Proposed Long Term Bank Loan Rating of Rs.0.48 Cr is withdrawn without assigning any Rating as the instrument was not issued and thus there are no outstanding obligation of the company against this facility. The rating is being withdrawn on account of the request received from the company as per Acuite's policy on withdrawal of ratings as applicable to the respective facilities.

Acuite has rated FD ratings of Mukand Limited at **ACUITE BBB (read as ACUITE Triple B)** with a 'Stable' outlook. The rating is put on "Notice of Withdrawal", as per Acuite's policy on withdrawal of ratings as applicable to the respective facilities.

Rationale of reaffirmation

The rating reaffirmation takes into account improved operating income albeit decline in operating profitability in FY2023 and recovery recorded in H1FY2024. The group generated an operating income of Rs. 5567.60 Cr in FY2023 as against Rs. 4642.82 Cr in FY2022. The improvement is driven by both higher volumes and values. However, the operating margins stood at (3.23)% in FY2023 as against 5.47% in FY2022. The operating level losses are primarily on account of higher raw material costs and provision for expected credit losses booked to the tune of Rs.80.97 Cr and increase in other manufacturing and miscellaneous expenses during the year. In H1FY2024 the group has reported operating income of Rs. 2763.50 Cr and operating margin of 5.45 percent. The financial risk profile continues to remain moderate marked by reduced gearing and stable debt protection metrics. Going forward, the group's ability to maintain its current profitability levels, operating income and capital structure will be key rating monitorables.

About Company

Incorporated in 1937, Mukand Iron & Steel Works Limited (MISWL) was acquired by the present promoter family, Shri Jamnalal Bajaj Group in 1939. The company then operated

rerolling mills and a foundry in Lahore (British Indian Territory) and at Reay Road in then Bombay, respectively. MISWL's name was subsequently changed to 'Mukand Limited' (ML) in 1989.

ML is a multi-division, multi product conglomerate involved in the manufacture of specialty steel long products and industrial machinery. With manufacturing facilities located in Thane, Maharashtra (for stainless steel) and Hospet, Karnataka (for alloy steel). ML along with its subsidiaries and associate companies is engaged in the manufacturing of special alloy steel/ stainless steel billets, bars, rods, wire rods and bright bars. ML has a combined installed capacity for manufacturing of 5.70 lakh MTPA of alloy steel and stainless steel.

About the Group

Mukand Limited group includes its subsidiaries, joint ventures and associates. Along with manufacturing of special alloy steel/ stainless steel billets, bars, rods, wire rods and bright bars, the Group is also in the business of design, manufacture, assembly and commissioning of industrial machinery, heavy duty cranes, bulk material handling equipment and process plant equipment for ferrous and non-ferrous industries.

Unsupported Rating

None

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of Mukand Limited along with its subsidiaries. The list of subsidiaries and associates that have been considered for consolidation has been attached in the annexures. The entities are together referred to as 'The Group'.

Key Rating Drivers

Strengths

> Strong parentage; long-standing presence in the steel market

Incorporated in 1937, ML largely caters to the automobile and auto component industry. The Chairman and Managing Director of ML, Mr. Niraj Ramkrishna Bajaj has been associated with the steel manufacturing business for almost four decades. The management of the Group is ably supported by qualified team of professionals. Over the years, the Group has been able to build healthy portfolio of reputed automobile manufacturer i.e. end consumers including Maruti Suzuki, Hyundai, Toyota, Nissan, Bajaj Auto, Hero Moto Corp, Honda Motor Cycles and Scooters India Ltd.

ML has also established its presence in the international markets by way of exports to the U.S, Germany, Italy, Netherlands, Switzerland, United Arab Emirates, Japan, Hong Kong, Taiwan and Vietnam, amongst others. The promoter's established presence in the steel business has helped the company to form Joint Venture with Sumitomo Corporation, Japan (SC). In January 2018, ML demerged its alloy steel rolling and finishing business and transferred the same to Mukand Alloy Steel Private Limited (MASPL) {wholly owned subsidiary of ML-now rechristened as Mukand Sumi Special Steel Ltd (MSSSL)}. Subsequently, as a part of the scheme of arrangement and amalgamation amongst the companies, Mukand Vijayanagar Steel Limited (MVSL) {wholly owned subsidiary of the company} was amalgamated with MASPL. In FY2022, ML subsidiaries Mukand Engineers Limited (MEL), Mukand Global Finance Limited (MGFL) and Adore Traders and Realtors Private Limited (ATRPL) were also amalgamated into ML vide NCLT order dated 24.05.2022. During FY2021, ML had envisaged plans of monetization of its non-core assets of which the first tranche was implemented in FY2021 and second tranche in FY2022. The funds raised vide the monetization were used to reduce the outstanding debt levels and for working capital purposes. The experience and

reputation of the promoters and it belonging to one of India's reputed business house; i.e. Bajaj Group was crucial in timely implementation of the plans. Acuité believes that ML will continue to benefit over the near to medium term on account of its experienced management and long-standing existence in the industry.

> **Moderate Financial Risk Profile**

The Group has noted an improvement in its overall financial risk post marked by reduced gearing and comfortable debt protection metrics. The Group in recent past had monetized its non-core assets including land parcels and investments in subsidiary entities and the funds generated were utilised to bring down the debt levels of the Group and finance the working capital requirements of its operations.

As on March 31, 2023, the Group's overall gearing improved to 1.83 times as from 3.08 times as on March 31, 2022. The Debt protection metrics marked by interest coverage ratio and Debt to EBITDA stood at 2.27 times and 3.75 times respectively as against 2.29 times and 5.53 times respectively in FY2022.

Weaknesses

> **Working capital intensive nature of operations**

The Group's operations are working capital intensive marked by gross current asset days of 153 days as on March 31, 2023 as against 207 days as on March 31, 2022. The improvement in GCA days is largely driven by faster realisations. The trade receivables days reduced to 30 days as on March 31, 2023 as against 43 days as on March 31, 2022. The inventory days ranged between 98-120 days for the period. The working capital requirements are adequately support by trade creditors and working capital loans availed from banks. The creditor days stood at 42 days as on March 31, 2023 as against 52 days as on March 31, 2022.

> **Susceptibility of operating performance to volatility in demand and prices**

ML manufactures alloy steel using iron ore and metallurgical coke as its main input and stainless-steel using steel scrap and nickel as its main input. The prices of these inputs are linked to the global markets having direct impact on the Group's profitability. Besides the domestic demand volatility, supply side factors such as imports from China are also major determinate which influence the credit profile of the steel manufacturers. ML imports 40-60 per cent of its raw material requirement and is, thus, also exposed to forex fluctuations. The operating margins on a consolidated basis stood at (3.23)% in FY2023 as against 5.47% in FY2022. The operating level losses are primarily on account of higher raw material costs and provision for expected credit losses created to the tune of Rs.80.97 Cr and increase in miscellaneous expenses during the year. In H1FY2024 the group has reported operating margin of 5.45 percent. Net profitability margins stood at 3.09 percent in FY2023 (3.82% in FY2022) supported by other income of surplus generated on land parcel sale. Acuité believes that ML will continue to remain exposed to the risk of changes in raw material prices, thereby impacting its profitability. However, in order to mitigate the risk to some extent, ML has entered into a cost-plus arrangement with its Joint Venture MSSSL for the sale of its entire output of alloy steel division and follows an order back to back policy for its raw material requirement for its stainless steel division.

ESG Factors Relevant for Rating

Manufacture of metals has a substantial environmental impact. The production of basic metals is extremely power-intensive. Most steel is still produced with blast furnaces, releasing large amounts of carbon dioxide, nitrogen oxide, and particulate matters into the air. On the social front, occupation and workforce health & safety management are of primary importance to this industry given the dangerous nature of operations. Furthermore, factors such as ethical business practices, management compensation and board administration hold primary importance within this industry.

Incorporated in 1937, Mukand Limited has implemented policies, established procedure and conducts awareness programmes towards safety and health of its employees. Functional Departments implement practices that includes efficiency in energy and in utilizing natural resources with minimal or no damage to the environment. On the governance front, the Group has implemented policies to ensure transparency in all its operations, make disclosures and comply with various laws and regulations. ML's Board has constituted various

committees comprising of its key management personnel as its members, to cater to the various environmental, social and governance issues encompassing the industry.

Rating Sensitivities

- > Sustenance of improvement recoded in operating performance of the group in H1FY2024
- > Any unexpected debt additions in the business thereby impacting the debt protection metrics and liquidity position

All Covenants (Applicable only for CE & SO Rating)

Not Applicable

Liquidity Position

Adequate

ML's liquidity position has been assessed adequate basis the improving nature of the cash accruals vis-à-vis the debt obligations coupled with continuous repayment of its outstanding debt. The cash accruals for the near to medium term is expected to remain in the range of Rs.150 Cr to Rs.300 Cr against no significant repayment obligations. The operations of the Group are working capital intensive marked by Gross Current Asset days of 153 days as on March 31, 2023. The working capital requirements of the Group are adequately supported by working capital term loans and inter-corporate debt. The average bank limit utilisation of its non-fund based facilities stood around 60.39 percent for the last eight months ended November, 2023.

Outlook: Stable

Acuité believes that ML will maintain a 'Stable' outlook over medium term driven by strong parentage; long-standing presence in the steel market and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected improvement in scale of operations and profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected improvement in scale of operations and profitability of the group or any unexpected debt additions leading to deterioration in financial risk profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	5567.60	4642.82
PAT	Rs. Cr.	171.78	177.42
PAT Margin	(%)	3.09	3.82
Total Debt/Tangible Net Worth	Times	1.83	3.28
PBDIT/Interest	Times	2.27	2.29

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jan 2023	Proposed Term Loan	Long Term	0.48	ACUITE BBB Stable (Reaffirmed)
	Fixed Deposit Program	Long Term	120.48	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	200.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	185.00	ACUITE A3+ (Reaffirmed)
	Fixed Deposit Program	Long Term	60.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1000.00	ACUITE BBB Stable (Reaffirmed)
05 May 2022	Bank Guarantee	Short Term	55.00	ACUITE A3+ (Withdrawn)
	Fixed Deposit Program	Long Term	120.48	ACUITE FA Stable (Reaffirmed)
	Bank Guarantee	Short Term	80.00	ACUITE A3+ (Withdrawn)
	Cash Credit	Long Term	47.00	ACUITE BBB (Withdrawn)
	Term Loan	Long Term	1000.00	ACUITE BBB Stable (Upgraded from ACUITE BBB-)
	Bank Guarantee	Short Term	65.00	ACUITE A3+ (Withdrawn)
	Cash Credit	Long Term	33.00	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	98.00	ACUITE BBB (Withdrawn)
	Bank Guarantee	Short Term	66.00	ACUITE A3+ (Withdrawn)
	Proposed Term Loan	Long Term	0.48	ACUITE BBB Stable (Upgraded from ACUITE BBB-)
	Fixed Deposit Program	Long Term	60.00	ACUITE FA Stable (Assigned)
	Bank Guarantee	Short Term	185.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	189.00	ACUITE A3+ (Withdrawn)
	Cash Credit	Long Term	43.00	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	60.00	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	62.00	ACUITE BBB (Withdrawn)
	Bank Guarantee	Short Term	97.00	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	189.00	ACUITE A3 (Withdrawn)
	Fixed Deposit Program	Long Term	120.48	ACUITE BBB- Positive (Reaffirmed)
		Short		

15 Apr 2022	Bank Guarantee	Term	97.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	33.00	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	66.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	62.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	98.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	47.00	ACUITE BBB- (Withdrawn)
	Fixed Deposit Program	Long Term	120.48	ACUITE FA Positive (Reaffirmed)
	Proposed Bank Facility	Long Term	0.48	ACUITE BBB- Positive (Reaffirmed)
	Bank Guarantee	Short Term	65.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	60.00	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	55.00	ACUITE A3 (Withdrawn)
	Bank Guarantee	Short Term	80.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	43.00	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	185.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1000.00	ACUITE BBB- Positive (Reaffirmed)
13 Apr 2021	Letter of Credit	Short Term	55.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	97.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	62.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Cash Credit	Long Term	33.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Cash Credit	Long Term	98.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Term Loan	Long Term	30.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	43.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Proposed Bank Facility	Long Term	120.48	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Letter of Credit	Short Term	80.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	65.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	66.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	189.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	47.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)

	Fixed Deposit Program	Long Term	120.48	ACUITE FA Stable (Upgraded from ACUITE BB Negative)
22 Oct 2020	Letter of Credit	Short Term	66.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Short Term	120.48	ACUITE BB (Reaffirmed)
	Cash Credit	Long Term	47.00	ACUITE BB Negative (Reaffirmed)
	Letter of Credit	Short Term	80.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	97.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	62.00	ACUITE BB Negative (Reaffirmed)
	Cash Credit	Long Term	43.00	ACUITE BB Negative (Reaffirmed)
	Letter of Credit	Short Term	65.00	ACUITE A4+ (Reaffirmed)
	Fixed Deposit Program	Long Term	120.48	ACUITE FBB Negative (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BB Negative (Reaffirmed)
	Letter of Credit	Short Term	189.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	98.00	ACUITE BB Negative (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	33.00	ACUITE BB Negative (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	185.00	ACUITE A3+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Fixed Deposit Program	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB Stable Notice of Withdrawal
Not Applicable	Not Applicable	Fixed Deposit Program	Not Applicable	Not Applicable	Not Applicable	Simple	120.48	ACUITE BBB Stable Notice of Withdrawal
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.48	Not Applicable Withdrawn
CITI Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	200.00	ACUITE BBB Reaffirmed & Withdrawn
CITI Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1200.00	ACUITE BBB Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Salony Goradia Senior Manager-Rating Operations Tel: 022-49294065 salony.goradia@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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