



Press Release
Mukand Limited
July 02, 2024
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Fixed Deposits (FD)	180.48	ACUITE BBB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	180.48	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.180.48 crore Fixed Deposits of Mukand Limited (ML). The rating was put on "Notice of Withdrawal" in January 2024 and is now being withdrawn in line with Acuite's policy on withdrawal of ratings as applicable to the respective facilities.

Rationale for Reaffirmation

The rating reaffirmation takes into account the improved operating profitability of the group albeit decline in operating income in FY2024. The group generated an operating income of Rs. 5174.81 Crore in FY2024 as against Rs. 5567.60 Cr. in FY2023. The decline is on account of marginal decline in volumes as well as realisation. However, the operating margins improved to 5.64 percent in FY2024 as against (3.23) percent in FY2023. Decrease in volume is due to subdued demand in international market coupled with increased freight costs. Decline in the raw material prices has affected the final price of the finished products. The financial risk profile continues to remain moderate marked by reduced gearing and stable debt protection metrics.

The rating also considers the long track record and long standing experience of the management that will benefit the group over near to medium term.

About the Company

Incorporated in 1937, Mukand Limited (ML) was acquired by the present promoter family, Mr. Prakash Vasantlal Mehta, Mr. Niraj Ramkrishna Bajaj, Mrs. Bharti Ramgandhi Mr. Sankaran Radhakrishnan, Mr. Arvind Madhav Kulkarni and Mr. Nirav Nayan Bajaj. The Company then operated rerolling mills and a foundry in Lahore (British Indian Territory) and at Reay Road in then Bombay, respectively. ML is a multi-division, multi-product conglomerate involved in the manufacture of specialty steel long products and industrial machinery. Mukand Limited is located in Mumbai (Maharashtra) 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. 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.

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

Not Applicable

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 Limited

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 financial risk profile of the group is marked by moderate gearing, comfortable debt protection metrics and tangible networth. The overall gearing improved to 1.67 times on March 31, 2024 as against 1.83 times on March 31, 2023. TOL/TNW stood at 2.33 times on March 31, 2024 as against 2.74 times on March 31, 2023. Debt-EBITDA declined to 4.84 times on March 31, 2024 as against 3.75 times on March 31, 2023. The debt protection indicators stood comfortable with Interest coverage ratio (ICR) at 2.34 times on March 31, 2024 as against 2.27 times on March 31, 2023. The debt service coverage ratio stood at 2.16 times on March 31, 2024 as against 0.34 times on March 31, 2023.

Weaknesses

Intensive Working Capital Management

The operations of the group are intensive marked by Gross Current Asset (GCA) of 166 days on March 31, 2024 as against 153 days on March 31, 2023. The GCA days are driven by inventory days and debtor days. The inventory days stood at 119 days on March 31, 2024 as against 98 days on March 31, 2023. The debtor collection period stood at 38 days on March 31, 2024 as against 30 days on March 31, 2023. The creditor days stood at 40 days on March 31, 2024 as against 42 days on March 31, 2023. The average bank limit utilization stood at 79.50 percent for six months ended May 2024.

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 5.64 percent in FY2024 as against (3.23) percent in FY2023. The decline in operating income is primarily on account of decline in sales realisation along with marginal decline in sales volume. Net profitability margins stood at 1.98 percent in FY2024 (3.09 percent in FY2023 - 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

Not Applicable

Liquidity Position Adequate

The liquidity position of the group is adequate marked by sufficient Net Cash Accruals (NCA) against maturing repayment obligations. The group generated NCA worth Rs. 152.42 crores in FY2024 against no significant repayment obligations. The operations of the Group are working capital intensive marked by Gross Current Asset days of 166 days as on March 31, 2024. The average bank limit utilization stood at 79.50 percent for six months ended May 2024. The current ratio stood at 3.48 times on March 31, 2024 as against 2.72 times on March 31, 2023. The group has an unencumbered cash and bank balance of Rs. ~51.00 crore on March 31, 2024.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	5174.81	5567.60
PAT	Rs. Cr.	102.70	171.78
PAT Margin	(%)	1.98	3.09
Total Debt/Tangible Net Worth	Times	1.67	1.83
PBDIT/Interest	Times	2.34	2.27

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 2024	Proposed Term Loan	Long Term	0.48	ACUITE Not Applicable (Withdrawn)
	Fixed Deposit Program	Long Term	60.00	ACUITE BBB Stable (Notice of Withdrawal)
	Fixed Deposit Program	Long Term	120.48	ACUITE BBB Stable (Notice of Withdrawal)
	Bank Guarantee (BLR)	Short Term	185.00	ACUITE A3+ (Reaffirmed & Withdrawn)
	Working Capital Term Loan	Long Term	1200.00	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	200.00	ACUITE BBB (Reaffirmed & Withdrawn)
03 Jan 2023	Bank Guarantee (BLR)	Short Term	185.00	ACUITE A3+ (Reaffirmed)
	Fixed Deposit Program	Long Term	120.48	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1000.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	200.00	ACUITE BBB Stable (Assigned)
	Fixed Deposit Program	Long Term	60.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.48	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE BBB Stable (Assigned)
05 May 2022	Bank Guarantee (BLR)	Short Term	185.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	97.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	66.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	65.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	80.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	55.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	189.00	ACUITE A3+ (Upgraded & Withdrawn from ACUITE A3)
	Fixed Deposit Program	Long Term	60.00	ACUITE FA Stable (Assigned)
	Term Loan	Long Term	1000.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Fixed Deposit Program	Long Term	120.48	ACUITE FA Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.48	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
	Cash Credit	Long Term	33.00	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
	Cash Credit	Long Term	62.00	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
		Long		ACUITE BBB (Upgraded & Withdrawn from

	Cash Credit	Term	43.00	ACUITE BBB- Stable)
	Cash Credit	Long Term	47.00	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
	Cash Credit	Long Term	60.00	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
	Cash Credit	Long Term	98.00	ACUITE BBB (Upgraded & Withdrawn from ACUITE BBB- Stable)
13 Apr 2021	Term Loan	Long Term	30.00	ACUITE BBB- (Upgraded & Withdrawn from ACUITE BB Negative)
	Letter of Credit	Short Term	189.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	55.00	ACUITE A3 (Upgraded from ACUITE A4+)
	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	97.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	98.00	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	47.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Cash Credit	Long Term	43.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	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)
	Proposed Long Term Bank Facility	Long Term	120.48	ACUITE BBB- Stable (Upgraded from ACUITE BB Negative)
	Fixed Deposit Program	Long Term	120.48	ACUITE FA Stable (Upgraded from ACUITE BB Negative)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Fixed Deposit Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	120.48	ACUITE BBB Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Fixed Deposit Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE BBB Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Compnay Name
1	Mukand Sumi Metal Processing Limited
2	Hospet Steels Limited
3	Stainless India Limited
4	Mukand Limited

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