

Press Release

Maruti Ferrous Private Limited

December 04, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.35.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs. 35.00 Crore bank facilities of Maruti Ferrous Private Limited. The outlook is **'Stable'**.

About the company

Incorporated in 2005, Maruti Ferrous Private Limited (MFPL) is engaged in manufacturing of billets and TMT bars. The company is the flagship entity of the Maruti group. Currently, MFPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nawal Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 96000 MTPA for Billet and 150000 MTPA for TMT bars.

Established in 2005, Maruti group was promoted by Khetan family, Tola family & Chowdhary family of Raipur, Chattisgarh. The group consists of Maruti Ferrous Private Limited (MFPL), Nutan Ispat and Power Private Limited (NIPPL), Ghankun Steels Private Limited (GSPL), Hanuman Ispat Private Limited (HIPL), HSR Re-Rollers Private Limited (HRRPL) and Sunil Ispat and Power Limited (SIPL). It is engaged in the business of steel and steel products. Currently, the group has a capacity of 250000 MTPA for Sponge Iron, 259320 MTPA for Billet, 360000 MTPA for TMT and two captive power plants. The TMT bars are sold under the brand name 'Nirman TMT'.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Maruti Ferrous Private Limited (MFPL), Nutan Ispat and Power Private Limited (NIPPL), Ghankun Steels Private Limited (GSPL), Hanuman Ispat Private Limited (HIPL), HSR Re-Rollers Private Limited (HRRPL) and Sunil Ispat and Power Limited (SIPL) together referred to as the 'Maruti Group' (MG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management

The key promoters of the group, Mr. Nawal Khetan, Mr. Ashok Chowdhary and Mr. Saurabh Tola have been associated with the iron & steel industry for two decades. In addition to this, the second generation promoters Mr. Bimal Kishore Khetan, Mr. Prashant Khetan, Mr. Ankit Chowdhary and Mr. Saurabh Tola are having experience of around a decade. Acuité derives comfort from the long experience of the promoters.

• Strong business risk profile

The strong business risk profile of the group is supported by the integrated nature of operations with a total capacity of 135000 MTPA for Sponge Iron, 199320 MTPA for Billet and 360000 MTPA for TMT; this enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent. Also, the revenue of the group has improved marked by operating income of Rs.817.62 Cr in FY2020 (provisional) as compared to revenues of Rs.791.39 Cr in FY2019 and Rs.440.56 Cr in FY2018, thereby registering a CAGR of 36.27 per cent in two years. Acuité believes that sustainability in the revenue growth would be a key monitorable going forward.

- **Healthy financial risk profile**

The group's healthy financial risk profile is marked by high networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the group increased to Rs.276.40 Cr as on March 31, 2020 (provisional) from Rs.243.96 Cr as on March 31, 2019 due to accretion of reserves. Acuite has considered unsecured loans to the tune of Rs.114.72 Cr as on March 31, 2020 as part of networth as these loans are subordinated to bank debt. Gearing of the group stood low at 0.58 times as on March 31, 2020 (provisional) as against 0.55 times as on March 31, 2019. The debt of Rs.159.03 Cr consists of working capital from the bank of Rs.97.88 Cr, term loan of Rs.46.09 Cr, unsecured loan of Rs.5.92 Cr and current maturity of term loan of Rs.9.14 Cr as on March 31, 2020 (provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.17 times as on March 31, 2020 (provisional) as against 1.18 times as on March 31, 2019. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 2.44 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 2.31 times as on March 31, 2020 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.19 times as on March 31, 2020. In FY2020, the group had undertaken a capex plan in NIPPL by setting up a 10MW captive power plant costing Rs.40 Cr, which had been funded from their own sources. In addition to this, MFPL had acquired Sunil Ispat & Power Limited (SIPL) from NCLT in May 2019. The acquisition has been funded from their own funds. The commercial production for the power plant and SIPL had commenced from October 2020. Acuite believes that going forward the financial risk profile of the group will remain healthy over the medium term, in the absence of any major debt funded capex plans.

Weakness

- **Moderate working capital management**

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 133 days in 31st March 2020 (provisional) as compared to 139 days in 31st March 2019. The moderate level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood at 65 days in 31st March 2020 (provisional) as compared to 64 days as on 31st March 2019. However, the debtor period stood comfortable at 38 days in 31st March 2020 (provisional) as compared to 34 days in 31st March 2019. Acuite believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

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

The industry remained heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivity

- Sustainability in their growth in scale of operations while improving profitability margin
- Maintaining capital structure

Material Covenant

None

Liquidity Profile: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.30.20 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.6.48 Cr over the same period. The current ratio stood at 1.25 times as on March 31, 2020 (provisional) as compared to 1.26 times as on March 31, 2019. The fund based limit remains utilised at 76 per cent over the six months ended September, 2020. The group has availed loan moratorium and applied for additional covid loan. The cash and bank balances of the group stood at Rs.0.62 Cr as on March 31, 2020 (provisional) as compared to Rs.2.81 Cr as on March 31, 2019. However, working capital management of the group is moderate marked by Gross Current Assets (GCA) of 133 days in 31st March 2020 (provisional) as compared to 139 days in 31st March 2019. Acuite believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the outlook on Maruti group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or elongation in its working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	817.62	791.39
PAT	Rs. Cr.	17.48	11.27
PAT Margin	(%)	2.14	1.42
Total Debt/Tangible Net Worth	Times	0.58	0.55
PBDIT/Interest	Times	2.44	2.31

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	374.43	445.58
PAT	Rs. Cr.	4.57	3.08
PAT Margin	(%)	1.22	0.69
Total Debt/Tangible Net Worth	Times	0.62	0.56
PBDIT/Interest	Times	3.01	2.73

Status of non-cooperation with previous CRA

CRISIL, vide its press release dated July 30, 2020 had denoted the rating of Maruti Ferrous Private Limited as 'CRISIL BB+/Stable/A4+; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB+/Stable (Assigned)
WCTL	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+/Stable (Assigned)

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About Acuité Ratings & Research

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