



Press Release
MARUTI FERROUS PRIVATE LIMITED
February 18, 2022
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.20	ACUITE A- Stable Assigned	-
Bank Loan Ratings	46.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	52.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 46.00 Cr bank facilities and assigned the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 6.20 Cr bank facilities of Maruti Ferrous Private Limited. The outlook is '**Stable**'.

The rating upgrade is driven by an improvement in the overall business risk profile of the company marked by sharp increase in the operating income along with an improvement in profitability arising from improved realizations as well as better cost efficiencies. The rating also factors in its management's long track record in the sector, integrated nature of operations, efficient collection mechanism and the healthy financial risk profile of the company characterized by comfortable leverage. These strengths are, however, partly offset by the cyclical nature of the steel industry and the volatility in commodity prices.

About the Company

Incorporated in 2005, Raipur based 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. Nishant 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.

About the Group

Incorporated in 2002, Nutan Ispat & Power Private Limited (NIPPL) is engaged in manufacturing of sponge iron, billets and TMT bars. In 2014, the company became part of the Maruti group. Currently, NIPPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nishant Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 60000 MTPA for Sponge Iron, 88320 MTPA for Billet, 150000 MTPA for TMT bars and a 10MW captive power plant.

Incorporated in 2004, Ghankun Steels Private Limited (GSPL) is engaged in manufacturing of sponge iron and billets. In 2010, the company became part of the Maruti group. Currently, GSPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary, Mr. Nishant Khetan, Mr. Rajesh Tola, Mr. Ashok Chowdhary, Mr. Saurabh Tola, Mrs. Sumitra Khetan and Mr. Prashant Khetan. The company has a capacity of 75000 MTPA for Sponge Iron, 15000 MTPA for Billet

and a 9.5MW captive power plant.

Incorporated in 1991, Sunil Ispat & Power Limited (SIPL) is engaged in manufacturing of sponge iron. In 2019, Maruti Ferrous Private Limited had acquired Sunil Ispat & Power Limited (SIPL) through NCLT. Currently, the company has a capacity of 115000 MTPA for Sponge Iron.

The Group also consists of two more entities Hanuman Ispat Private Limited (HIPL) and HSR Re-Rollers Private Limited (HRRPL), they are engaged in manufacturing 60000 MTPA of billet and 60000 MTPA of TMT respectively.

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

- **Long operational track record and experienced management**

The Maruti Group has been in the iron and steel industry for over two decades. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. Further, the key promoters 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 supported by integrated nature of operations and locational advantage**

The strong business risk profile of the Group is supported by the integrated nature of operations of the Group; this enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent. The diversity in revenue streams of the Group also augurs well. Also, the revenue of the group has improved to Rs.980.21 Cr in FY2021 as compared to revenues of Rs.757.13 Cr in FY2020, thereby registering a growth of 29.46 per cent. Further, the operating margin of the group increased to 7.78 per cent in FY2021 as compared to 6.95 per cent in the previous year. The PAT margins stood at 2.45 per cent in FY2021. The ROCE levels stood at a comfortable level of about 13.22 per cent in FY2021 as against 12.26 per cent in FY2020. Acuité believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward.

In addition to this, the Group has a locational advantage as the plants are located in the industrial area of Raipur, Chattisgarh, which is in close proximity to various steel plants and sources of raw materials. Further the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods.

- **Healthy financial risk profile**

The Group's healthy financial risk profile is marked by healthy network, comfortable gearing and strong debt protection metrics. The tangible net worth of the Group increased to Rs.265.13 Cr as on March 31, 2021 from Rs.244.15 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.87.24 Cr as on March 31, 2021 as part of network as these loans are subordinated to bank debt. Gearing of the Group stood comfortable at 0.84 times as on March 31, 2021 as against 0.68 times as on March 31, 2020. The debt of Rs.222.11 Cr consists of working capital from the bank of Rs.130.93 Cr, term loan of Rs.73.18 Cr, and current maturity of term loan of Rs.18 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.41 times as on March 31, 2021 as against 1.16 times as on March 31, 2020. The strong debt protection

metrics of the Group is marked by Interest Coverage Ratio at 2.72 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.90 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.20 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the Group will remain healthy over the medium term, in absence of any major debt funded capex plans.

• **Moderate working capital management**

The working capital management of the Group is moderate marked by Gross Current Assets (GCA) of 109 days in 31st March 2021 as compared to 107 days in 31st March 2020. The moderate level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood at 70 days in 31st March 2021 as compared to 69 days as on 31st March 2020. However, the debtor period stood comfortable at 11 days in 31st March 2021 as compared to 8 days in 31st March 2020. Acuité 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.

Weaknesses

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

The downstream steel industry remains 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 Sensitivities

- Sustainability in revenue growth and margins
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The Group's liquidity is adequate marked by steady net cash accruals of Rs.44.28 Cr as on March 31, 2021 as against long term debt repayment of Rs.9.17 Cr over the same period. The fund based limit remains utilised at 74per cent over the seven months ended December, 2021. The Group has availed loan moratorium and applied for additional covid loan. The cash and bank balances of the Group stood at Rs.2.60 Cr as on March 31, 2021 as compared to Rs.0.62 Cr as on March 31, 2020. The current ratio stood moderate at 1.12 times as on March 31, 2021 as compared to 1.03 times as on March 31, 2020. However, working capital management of the Group is moderate marked by Gross Current Assets (GCA) of 109 days in 31st March 2021 as compared to 107 days in 31st March 2020. Acuité believes that going forward the Group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité 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, sound business position, healthy financial risk profile and moderate working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the Group's revenues or profit margins, or in case of deterioration in the Group's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	980.21	757.13
PAT	Rs. Cr.	24.03	20.24
PAT Margin	(%)	2.45	2.67
Total Debt/Tangible Net Worth	Times	0.84	0.68
PBDIT/Interest	Times	2.72	2.60

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

Not Applicable

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>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jan 2022	Cash Credit	Long Term	32.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	8.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	3.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	3.00	ACUITE A- Stable (Assigned)
04 Dec 2020	Working Capital Term Loan	Long Term	3.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	32.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	8.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	6.20	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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