

Press Release

Maruti Ferrous Private Limited

May 02, 2023

Rating Reaffirmed



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

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 52.20 Cr bank facilities of Maruti Ferrous Private Limited. The outlook is '**Stable**'.

Rating Rationale

The rating takes into cognizance the sound business risk profile of the group buoyed by its improving revenue trend along with healthy profitability margins driven by rise in sale volume and average realization of steel products. The rating is also supported by the management's long standing experience and healthy financial position as reflected by low gearing. These strengths are however, partly offset by the cyclical nature of the steel industry.

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 and others. 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 Mrs. Sumitra Khetan, Mr. Sourabh Tola and others. 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 and others. The company has a capacity of 75000 MTPA for Sponge Iron, 75000 MTPA for Billet (Previously, capacity of 15000 for Billet was present and now capacity of 60000 MTPA got transferred from Hanuman Ispat Private Limited) 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, 30000 MTPA for Ferro Alloys and a 20MW captive power plant.

Incorporated in 2020, Karnikripa Power Private Limited (KPPL) is based in Chhatisgarh. KPPL's commercial operations of manufacturing sponge iron is expected to commence by FY2024. The company is the flagship entity of the Maruti Group. Currently, KPPL is headed by Mr. Saurabh Tola, Mr. Ankit Chowdhary and others. The company has a capacity of 165000 MTPA of Sponge Iron.

The Group also consists of two more entities Hanuman Ispat Private Limited (HIPL) and HSR Re-Rollers Private Limited (HRRPL).

Earlier, Hanuman Ispat Private Limited (HIPL) had a billet capacity of 60000 MTPA, which is now transferred to Ghankun Steels Private Limited. Currently, HIPL earns lease rental on the said capacity.

Further, HSR Re-Rollers Private Limited (HRRPL) is engaged in manufacturing of 60000 MTPA of TMT.

Analytical Approach

For arriving at this rating, Acuité has revised the approach to include Karnikripa Power Private Limited (KPPL) into the 'Maruti Group', as the group has a 100 per cent stake in the entity and the operations would be managed by the Maruti group. Hence, 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), Sunil Ispat and Power Limited (SIPL) and Karnikripa Power Private Limited (KPPL) 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. Rajesh Tola have been associated with the iron & steel industry for two decades. In addition to this, the second generation promoters are having experience of around a decade. Acuité derives comfort from the long experience of the promoters.

- **Sound business risk profile supported by sharp increase in operating income**

The revenue of the group increased to Rs.1323.95 Cr in FY2022 as compared to revenues of Rs.980.21 Cr in FY2021, thereby registering a growth of 35.10 per cent. Moreover, the group has achieved around Rs. 1121.82 Cr till December 2022 (Provisional). The growth in revenue is primarily on account of healthy demand and better market condition.

The operating margin of the group marginally improved to 8.04 per cent in FY2022 as compared to 7.78 per cent in FY2021. The PAT margins stood at 2.84 per cent in FY2022 as against 2.45 per cent in FY2021. The RoCE levels stood at a comfortable level of about 14.30 per cent in FY2022 as against 13.22 per cent in FY2021. The improvement in profitability margins are due to increase in the average realization of all the products across all the companies of the group.

Acuité believes that the sustainability in the revenue growth and improvement in the profitability margin would be a key monitorable going forward.

Moreover, the sound business risk profile of the group is supported by the integrated nature of operations with a manufacturing capacity of sponge iron, billets, TMT Bars & other rolled

products, ferro alloys and three waste heat based captive power plants. Nutan Ispat and Power Private Limited has become fully integrated after the recent addition of billet division and power plant. Further, Sunil Ispat & Power Limited (SIPL) supplies sponge iron to Maruti Ferrous Private Limited and now the newly installed Karnikripa power Private Limited company will supply sponge iron for the captive consumption of the group. Acuité believes that the integrated nature of the group enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent.

In addition to this, the group has a locational advantage as the plants are located in the industrial area of Raipur, Chhattisgarh, 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, low gearing and comfortable debt protection metrics. The tangible net worth of the group increased to Rs.417.11 Cr as on March 31, 2022 from Rs.265.13 Cr as on March 31, 2021 due to accretion of reserves. Acuité has considered unsecured loans of Rs.181.43 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the group stood low at 0.65 times as on March 31, 2022 as against 0.84 times as on March 31, 2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.09 times as on March 31, 2022 as 1.41 times as on March 31, 2021. The comfortable debt protection metrics of the group is marked by Interest Coverage Ratio at 3.18 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.87 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.24 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the group will remain healthy over the medium term, despite having debt funded capex plans.

In order to increase the value chain and improve profitability, the group had undertaken planned capex in Sunil Ispat & Power Limited (SIPL) by setting up 30,000 MTPA Ferro alloys along with 20 MW power plant which is completed and will be operational from April'23, onwards. The total project cost is Rs.190.05 Cr, which will be funded by term loan from bank of Rs.120 Cr and remaining Rs.70.05 Cr from the promoters' contribution.

Further, the group decided to set up the sponge iron plant with an installed capacity of 165,000 MTPA in a newly founded company, Karnikripa Power Pvt. Ltd. The total cost of the project for Sponge Iron manufacturing is Rs. 120.80 crore which will be funded through debt of Rs. 80 Cr and Rs. 40.80 Cr from promoters' sources.

- **Moderate working capital management**

The moderate working capital management of the group is marked by Gross Current Assets (GCA) of 129 days as on 31st March 2022 as compared to 109 days as on 31st March 2021. The GCA days is primarily on account of a high proportion of other receivables and recoveries. Further, the inventory holding stood at 67 days in 31st March 2022 as compared to 70 days as on 31st March 2021. However, the debtor period stood comfortable at 10 days as on 31st March 2022 as compared to 11 days as on 31st March 2021. 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 steel rolling industry remains fragmented and unorganised. The group 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. Further, there has been a significant push by the government on steel-intensive sectors such as railways and

infrastructure, any sustained downturn in demand will adversely impact performance of steel companies. Additionally, prices of raw materials and products are highly volatile in nature. Business operations also face competition from cheaper Indonesian and Chinese imports. Substantial increase in imports may adversely impact realisation and volumes, and hence, remains a key monitorable.

Rating Sensitivities

- Sustainability in revenue growth and improvement in profitability margins
- Elongation of working capital cycle
- Timely completion of the projects

Material covenants

None

Liquidity Position

Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.64.21 Cr as on March 31, 2022 as against long term debt repayment of Rs. 18.00 Cr over the same period. The current ratio stood comfortable at 1.41 times as on March 31, 2022 as compared to 1.12 times as on March 31, 2021. The fund based bank limit utilization stood moderately high at 83.67 per cent over the six months ended January, 2023. The cash and bank balances of the group stood at Rs.0.86 Cr as on March 31, 2022 as compared to Rs.2.60 Cr as on March 31, 2021. However, working capital management of the group is moderate marked by Gross Current Assets (GCA) of 129 days in 31st March 2022 as compared to 109 days as on 31st March 2021. 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 and healthy financial risk profile. 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1323.95	980.21
PAT	Rs. Cr.	37.53	24.03
PAT Margin	(%)	2.84	2.45
Total Debt/Tangible Net Worth	Times	0.65	0.84
PBDIT/Interest	Times	3.18	2.72

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->

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
07 Apr 2023	Working Capital Term Loan	Long Term	4.20	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.25	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	6.25	ACUITE A- Stable (Reaffirmed)
18 Feb 2022	Working Capital Term Loan	Long Term	3.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	6.20	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	3.00	ACUITE A- Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.25	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.50	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.20	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	6.25	ACUITE A- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.