



Press Release
Mahendra Strips Private Limited
September 02, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	780.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	880.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) and short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) to Rs. 880.00 crore bank facilities of Mahendra Strips Private Limited (MSPL). The outlook remains '**Stable**'.

Rationale for rating

The rating takes into cognizance the stable business risk profile of the group buoyed by its declining but healthy revenue and sustenance of operating margin. The revenues have declined primarily since the prices of steel in the market have corrected itself in FY2023 and FY2024 and also the power plants in AIPL and MPPL have remained shut for 9 months and 5 months period respectively in FY 2023 and FY2024 due to maintenance activities. Furthermore, the profitability of the group has sustained itself despite the declining trend of revenues. Furthermore, the group has added sponge iron and Power plant in Mahendra Sponge and Power Limited which is expected to start operations in current year and augment both the topline and profitability. The rating is also supported by the management's long-standing experience and healthy financial position characterized by healthy debt coverage indicators. The Company's liquidity is further supported by healthy cash accruals, absence of any major capex plans, minimal debt obligations, moderate current ratio. These strengths are however, partly offset by the intensive working capital management of the group and cyclical nature of the steel industry.

About the Company

Incorporated in 1996, Chhattisgarh based Mahendra Strips Private Limited is presently engaged in the business of imported coal. It is focused on procurement and supply of imported coal to various steel and power generation companies. The company was earlier engaged in manufacturing of ingots, and rerolled products like M.S Round, MS Square, MS Flat, MS Angles. The manufacturing unit was later sold off for the purpose of consolidation of business. The company is managed by Mr. Deepesh Agrawal and other directors. Aarna Resources Pte Limited formed as a subsidiary under Mahendra Strips Private Limited in 2023.

About the Group

Mahendra Sponge and Power Limited:- Incorporated in 2002, Chhattisgarh based Mahendra Sponge and Power Limited has an integrated steel manufacturing facility. The company is engaged in business of manufacturing of sponge iron, Billet, re-rolled products like MS Round, MS Square, MS Flat and MS Angles. Mahendra Sponge and Power Limited also has a captive

power plant with a capacity of 8 MW (4 MW Waste Heat recovery based and 4 MW Atmospheric Fluidized Bed Combustion). The power plant caters to the entire power requirement of the company. In addition to this, MSPL is also engaged in trading of domestic and imported coal and iron ore pellets. The company is managed by Mr. Deepesh Agrawal and other directors.

Animesh Ispat Private Limited:- Incorporated in 2004, Chhattisgarh based Animesh Ispat Private Limited is engaged in business of generation of power from biomass-based power plant of 10MW of which 8.91MW is supplied through firm power purchase agreement with Chhattisgarh State Power Distribution Company Limited (CSPDCL) for a period of 20 years. The firm has resumed the operations of the power plant since 2017 and is operating at full capacity. The company is also engaged in the business of trading in imported coal, export of iron ore fines and manufactured steel products. The company is managed by Mr. Deepesh Agrawal and other directors.

Mahendra Power Private Limited:- Incorporated in 2008, Chhattisgarh based Mahendra Power Private Limited is engaged in business of generation of power from biomass-based power plant of 10MW of which 8.91MW is supplied through firm power purchase agreement with Chhattisgarh State Power Distribution Company Limited(CSPDCL) for a period of 20 years. The firm has resumed the operations of the power plant since 2017 and is operating at full capacity. The company is also engaged in the business of trading in imported coal, iron ore. The company is managed by Mr. Deepesh Agrawal and other directors.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Mahendra Sponge and Power Limited (MSPL), Animesh Ispat Private Limited (AIPL), Mahendra Power Private Limited (MPPL) and Mahendra Strips Private Limited (MSPL) together referred to as the 'Mahendra Group' (MG). The consolidation is in the view of common management, intercompany holdings, operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Established track record of operations and extensive experience of promoters

The Mahendra group has a long track record of over four decades in the iron and steel industry. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. The key promoters of the group, Mr. Manoj Kumar Agrawal, Mr. Mahendra Kumar Agrawal and Mr. Deepesh Agrawal, have been associated with the iron & steel industry for two decades. Acuité derives comfort from the long experience of the promoters.

Declining but healthy scale of operations

The Mahendra group's operating revenue grew to Rs. 3,583.66 crore in FY2024 (Prov.) from Rs. 4,068.91 crore in FY2023. The group has sustained the operating margin at similar level at 4.89 percent in FY2024 (Prov.) and 4.66 percent in FY2023. The group has sustained the PAT margin at similar level at 2.60 percent in FY2024 (Prov.) and 2.48 percent in FY2023. The installation of

new boilers in AIPL and MPPL, which put these facilities on a five-month maintenance break, and global pricing corrections in the steel industry are the main causes of the decline in margin.

Stable offtake and locational advantage for AIPL and MPPL

AIPL and MPPL both have signed power purchase agreements (PPA) with CSPDCL for 8.91MW for 20 years till 2038. Presently, AIPL is operating at plant load factor (PLF) of 100.02 percent and MPPL is operating at plant load factor (PLF) of 93.19 percent. Currently, the cost for supply of contracted energy is Rs.6.76/kWh. Acuité believes that the PPA with CSPDCL with AIPL and MPPL provides comfortable revenue visibility, going forward.

Healthy Financial Risk Profile

The group's financial risk profile is marked by strong networth, moderate gearing and healthy debt protection metrics. The tangible net worth of the group increased to Rs. 632.12 crore as on FY2024 (Prov.), from Rs. 545.68 crore as on FY2023, due to accretion of reserves. Acuité has considered unsecured loans of Rs. 71.81 crore as on FY2024 (Prov.) and Rs. 61.19 crore as on FY2023, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the group has improved and stood below unity in FY2024 (Prov.) and FY2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 1.52 times in FY2024 (Prov.), as against 1.91 times in FY2023. The healthy debt protection metrics of the group is marked by Interest Coverage Ratio at 3.48 times and Debt Service Coverage Ratio at 2.45 times in FY2024 (Prov.). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.27 times in FY2024 (Prov.) as against 0.29 times in FY2023. 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.

Weaknesses

Moderate working capital management

The working capital intensive nature of operations of the group is marked by high Gross Current Assets (GCA) of 113 days on 31st March 2024 (Provisional) as compared to 94 days on 31st March 2023. The high GCA days are primarily on account of a high proportion of other current assets consisting of other loans and advances. Further, the inventory holding stood moderate at 50 days on 31st March 2024 (Provisional) as compared to 41 days on 31st March 2023. The group maintains inventory due to availability of sufficient raw materials and by virtue of the manufacturing unit being located to the close vicinity of iron-ore mines of Jharkhand and Odisha. However, the debtor period stood comfortable at 22 days in March 2024 (Provisional). The creditor days stood at 54 days in March 2024. Acuité believes that the working capital operations of the group will remain at same level as evident from intensive inventory levels over the medium term.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margin
- Elongation of working capital cycle

Liquidity Position Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs. 107.81 crore in FY2024 (Prov.) as against long-term debt repayment of Rs. 10.83 crore over the same period. The cash and bank balances of the group stood at Rs. 218.54 crore in FY2024 (Prov.) as compared to Rs. 91.46 crore in FY2023. The current ratio remains comfortable at similar level of 1.45 times in FY2024 (Prov.) and 1.40 times in FY2023. The fund-based limit remains utilised moderately at 73 percent over the 6 months ended March 2024. However, working capital management of the group is marked by high Gross Current Assets (GCA) of 113 days in FY2024 (Prov.) as compared to 94 days in FY2023. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on Mahendra Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile 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 further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	3583.66	4068.91
PAT	Rs. Cr.	93.08	101.03
PAT Margin	(%)	2.60	2.48
Total Debt/Tangible Net Worth	Times	0.63	0.72
PBDIT/Interest	Times	3.48	3.28

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
26 Jun 2024	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	65.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	77.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	73.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	85.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	275.00	ACUITE A1 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	130.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	35.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	75.00	ACUITE A1 (Reaffirmed)
29 Mar 2023	Cash Credit	Long Term	45.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE A Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	220.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	65.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	85.00	ACUITE A1 (Assigned)
	Proposed Letter of Credit	Short Term	175.00	ACUITE A1 (Assigned)
22 Mar 2023	Letter of Credit	Short Term	220.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
		Long		

27 May 2022	Cash Credit	Term	40.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	110.00	ACUITE A1 (Assigned)
07 Mar 2022	Letter of Credit	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE A Stable (Reaffirmed)
04 Feb 2022	Letter of Credit	Short Term	110.00	ACUITE A1 (Upgraded from ACUITE A2+)
22 Mar 2021	Letter of Credit	Short Term	110.00	ACUITE A2+ (Reaffirmed)
09 Feb 2021	Letter of Credit	Short Term	110.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE A1 Reaffirmed
Catholic Syrian Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A1 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.90	ACUITE A1 Reaffirmed
RBL Bank	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	275.00	ACUITE A1 Reaffirmed
RBL Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A1 Reaffirmed

Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	73.00	ACUITE A1 Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	77.00	ACUITE A1 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	65.00	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.10	ACUITE A1 Reaffirmed

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

Sr no	Company Name
1	Mahendra Sponge and Power Limited
2	Animesh Ispat Private Limited
3	Mahendra Power Private Limited
4	Mahendra Strips Private Limited

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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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