Press Release

Maan Steel and Power Limited

March 23, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs. 169.95 Cr.
Long Term Rating	ACUITÉ A-/Stable (Assigned)
Short Term Rating	ACUITÉ A2+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned a long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and Short-term rating of **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs 169.95 Cr bank facilities of Maan Steel and Power Limited (MSPL). The outlook is **'Stable'**.

The rating factors in Acuité's expectation that the Maan group will record a strong operational performance in FY21 and FY22. The group is likely to register healthy revenue growth along with significant improvement in profit margin in the current financial year. This improvement will be driven by the rise in capacity utilization of rolling mill and captive consumption of intermediate goods such as sponge iron and billet. In addition, the 12 MW captive power plant will also help to improve the profit margin of the group over the medium term.

Maan Steel & Power Limited was incorporated in 2003 by Kolkata based Binod Kumar Agarwal and is engaged in the manufacturing of sponge iron, billet and TMT. The company has installed capacity of 117,000 MT per annum for sponge iron, 192,000 MT per annum for MS billet, 150,000 MT per annum of rolling mill and 12 MW captive power plant. Company sells TMT bar under its brands i.e. Durgapur star TMT and Maan Shakti. The manufacturing facility is located at Jamuria, West Bengal.

Analytical Approach

Acuite has taken a consolidated view of Maan Steel and Power Limited, Nageshwar Vintrade Private Limited (NVPL), Jagdish Commotrade Private Limited (JCPL) and Maan Metaliks Private Limited (MMPL) as all the 4 companies have a common management. Nageshwar Vintrade Private Limited & Jagdish Commotrade Private Limited holds 50 percent stake in MSPL. NVPL and JCPL have extended corporate guarantee to MSPL. Besides, the management is planning to merge all three entities with MSPL, on receipt of NoC from the existing lenders. The entities being consolidated are currently non-operational. The group herein is referred to as Maan Group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

Experienced management and integrated operations in steel sector

The Maan group is promoted by the Agrawal family of Kolkata (West Bengal). The group is managed by Mr. Binod Kumar Agarwal, who has more than one decade of experience in the steel business. MSPL has integrated operations with capacities to produce sponge iron, steel billets and long product. The company also has a 12 MW of captive power plant. In FY 20, MSPL had completed the capital expenditure programme involving installation of a rolling mill, expansion of billet capacity and addition of captive power plant; all these units are operational since Q4FY20, thereby eliminating project risks. The project cost for the capex plan was around Rs 104 Cr which was funded through a mix of debt and internal accruals in the proportion of 2:1. The capex programme will help the group to improve its scale of operation in medium term and strengthen its operating efficiencies.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the group stood at Rs.109.01 Cr in FY2020 as compared to Rs. 100.35 Cr in FY2019. The gearing of the group stood slightly higher at 0.95 times as on March 31, 2020 as compared to 0.71 times as on March 31, 2019 due to debt-led capex plan. The total debt of Rs.103.88 Cr in FY2020 consists of long-term debt of Rs.94.98 Cr and short-term loan of Rs. 8.89 Cr. TOL/TNW stood at 1.46 times in FY20 as against 1.17 times in FY19. Interest coverage ratio (ICR) stood strong at 6.38 times in FY2020 as against 9.45 times in FY 2019. The debt service coverage ratio (DSCR) also stood comfortable at 2.25 times in FY2020 as against 4.19 times in FY2019; the moderate deterioration is on account of a rise in financial cost because of debt led capex plan. The net cash accruals against total debt (NCA/TD) stood at 0.15 times in FY2020 as compared to 0.22 times in previous year. Acuité believes the financial risk profile of the group will remain healthy over the medium term backed by improving trend in accruals and the absence of any large debt-funded capex plan over the medium term.

Healthy revenue growth along with improvement in profitability margin in FY21

The group had reported range bound revenues which stood at Rs 335.21Cr. in FY20 as against Rs 332 Cr in FY19. The group is expected to witness strong revenue growth in FY21 backed by stabilization of operations of the rolling mill along with enhanced capacities of the billet unit. The group has recorded revenue of around Rs 345 Cr till December 2020 (Provisional). The profit margin of the group stood modest as reflected from its EBITDA margin 6.48 percent in FY20 as against 6.70 percent in FY19. However, the addition of captive power unit and better operational synergies have led to a substantial improvement in their profitability metrics. The profitability margin is also expected to witness significant improvement as the group has posted EBITDA margin of about 13.7 percent during 9MFY21 (Provisional). Acuité believes the scale of operation and profitability will improve substantially over medium term backed by integrated nature of operations.

Weaknesses

Cyclical nature of the industry

The group's performance remains vulnerable to cyclicality in the steel sector as demand for steel depends on performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the group is exposed to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods.

Rating Sensitivity

- Substantial improvement in the profitability margin
- Deterioration in capital structure

Material Covenant

None

Liquidity Profile: Adequate

The group has adequate liquidity as reflected from low utilization of working capital limits of around 28 percent during the past 12 months ended January 2021. The liquidity position is enhanced from the healthy net cash accrual of Rs. 15.35 Cr during FY20 as against current maturity of 11.19 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 38-Rs53 Cr as against current maturity of around Rs.15.00 Cr from FY21-FY23. Current ratio stood comfortable at 1.35 times during FY20. The working capital requirement of the group stood at prudent level as reflected from GCA days of 87 days as on 31 March 2020. The company has maintained positive cash flow from operation in FY20. However, the Cash & Bank balance stood low at 0.24 Cr as on 31.03.2020. Acuite believes the liquidity position of the company will remain adequate backed by steady cash flow and accrual over the medium term.

Outlook: Stable

Acuité believes the outlook on group will remain 'Stable' over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' if the group is able to ramp up its scale of operations significantly while sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue growth or deterioration in capital structure.

About the Rated Entity - Key Financials

Consolidated

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	335.21	332.00
PAT	Rs. Cr.	8.66	10.80
PAT Margin	(%)	2.58	3.25
Total Debt/Tangible Net Worth	Times	0.95	0.71
PBDIT/Interest	Times	6.38	9.45

Standalone

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	335.21	332.00
PAT	Rs. Cr.	8.76	11.28
PAT Margin	(%)	2.61	3.40
Total Debt/Tangible Net Worth	Times	0.96	0.72
PBDIT/Interest	Times	6.38	9.60

Status of Non-cooperation with other CRA (If Applicable)
None

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

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)
NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A-/Stable (Assigned)

Term Loan	April 2018	Not Applicable	September 2026	23.73	ACUITE A-/Stable (Assigned)
Term Loan	November 2020	Not Applicable	September 2026	11.03	ACUITE A-/Stable (Assigned)
Term Loan	June 2018	Not Applicable	April 2026	4.11	ACUITE A-/Stable (Assigned)
Term Loan	May 2018	Not Applicable	September 2026	20.37	ACUITE A-/Stable (Assigned)
Term Loan	February 2021	Not Applicable	November 2025	8.81	ACUITE A-/Stable (Assigned)
Term Loan	December 2020	Not Applicable	November 2025	0.97	ACUITE A-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.43	ACUITE A-/Stable (Assigned)
LC	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A2+ (Assigned)
BG	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2+ (Assigned)
Proposed LC	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2+ (Assigned)

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About Acuité Ratings & Research:

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