

## Press Release

### Maan Steel and Power Limited

June 14, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	135.26	ACUITE A   Stable   Upgraded	-
Bank Loan Ratings	34.69	-	ACUITE A1   Upgraded
Total Outstanding Quantum (Rs. Cr)	169.95	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and Short-term rating to **'ACUITE A1' (read as ACUITE A one)** from **'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 upgrade is mainly driven by sustained revenue growth along with strong financial risk profile. This improvement has been driven by high-capacity addition with substantial rise in average realization of TMT bars due to rising demand from end user industries. Further, the financial risk profile of the group has witnessed an improving trend during FY22 and FY21 backed by scheduled repayment of term loan with healthy profit margin due to integrated operations. However, the ratings are constrained by the group's exposure to cyclical nature of the industry.

### About the Company

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

#### **Integrated operations in steel sector with sustained revenue growth**

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 which caters to more than 50 percent of its power requirement.

The company's revenue stood at Rs 814 Cr in FY22(Provisional) as against Rs 572 Cr in FY21 and Rs 335 Cr in FY20 thus registering a compounding growth of 35 percent. This improvement is driven by the rise in both sale volume and average realization of TMT bar. Acuité believes the group will sustain the turnover levels over the medium term as their manufacturing unit is operating at optimal capacity.

#### **Sound financial risk profile**

The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood at Rs.191.78 Cr in FY2022(Provisional) as compared to Rs. 144.19 Cr in FY2021. The gearing of the group stood comfortable at 0.41 times as on March 31, 2022(Provisional) as compared to 0.55 times as on March 31, 2021. TOL/TNW stood at 0.75 times in FY22(Provisional) as against 0.95 times in FY21. Interest coverage ratio (ICR) stood strong at 11.23 times in FY2022(Provisional) as against 6.54 times in FY 2021. The debt service coverage ratio (DSCR) also stood strong at 5.75 times in FY2022(Provisional) as against 2.57 times in FY2021. The improvement in coverage ratio is due to decline in financial cost because of prepayment of existing term loans and low working capital utilization. The net cash accruals against total debt (NCA/TD) stood at 0.74 times in FY2022(Provisional) as compared to 0.57 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 profitability margin**

The group has healthy profit margin as EBITDA margin stood at 9.54 percent in FY22(Provisional) as against 12.16 percent in FY21. The moderation in their profit margins in FY22 was mainly due to rise in raw material and power cost. There was a substantial hike in prices of coal and iron ore during H1FY22. The same couldn't be entirely passed on to end customers due to moderate brand visibility. In addition, the power consumption had increased in FY22 on account of rise in capacity utilization of billet unit which is a power-intensive facility. The prices of raw materials of iron ores and coking coal are likely to moderate in FY23 because of hike in export duty on iron ore and removal of customs duty on coking coal which will help the company to sustain the profit margin over medium term.

#### **Efficient working capital management**

The group has a low working capital requirement as reflected from its Gross Current Asset (GCA) days which stood at 76 days in FY22(Provisional) as against 58 days in FY22. Reason for low GCA days is low debtor days of 3 days in FY21. Inventory days stood at 60 days in FY22(Provisional) as against 36 days in FY21. Acuité believes the working capital intensity will remain at similar levels over the medium term.

### Weaknesses

#### **Cyclical nature of the industry**

The group's performance remains vulnerable to cyclical nature 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.

## Limited raw material linkages

The group has limited captive linkages for key raw materials, iron ore and coal. The group procures coal from both from domestic and international sources. However, group has a fuel supply agreement with Eastern Coalfield Limited for supply 27600 MT of coal per annum which is around 24 percent of total coal requirement. The group procures iron ores from domestic market. Hence the group is exposed to volatility to raw material prices.

## Rating Sensitivities

- Substantial improvement in the profitability margin and financial risk profile
- Sustained revenue growth

## Material covenants

None

## Liquidity profile: Adequate

The group has adequate liquidity as reflected from low utilization of working capital limits of around 41 percent during the past 7 months ended April 2022. The liquidity position is enhanced from the healthy net cash accrual of Rs. 58 Cr during FY22(Provisional) as against current maturity of 2.54 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 60-Rs62 Cr as against current maturity of around Rs.9.00 Cr from FY23-FY24. Current ratio stood comfortable at 1.80 times during FY22. The working capital requirement of the group stood at prudent level as reflected from GCA days of 76 days as on 31 March 2022. Acuite believes the liquidity position of the company will remain adequate backed by steady cash flow and accrual over the medium term.

## Outlook : Stable

Acuite believes the outlook on group will remain 'Stable' over the medium term from the promoters' vast experience in the steel industry and the comfortable financial risk profile. The outlook may be revised to 'Positive' if Maan group is sustained revenue growth with substantial improvement in profit margin. Conversely, the outlook may be revised to 'Negative' if the group witnessed significant deterioration in financial risk profile or liquidity profile due to large capex plan.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	572.43	335.21
PAT	Rs. Cr.	34.97	8.65
PAT Margin	(%)	6.11	2.58
Total Debt/Tangible Net Worth	Times	0.55	0.95
PBDIT/Interest	Times	6.54	6.38

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <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
23 Mar 2021	Term Loan	Long Term	4.11	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	23.73	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	8.43	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	20.37	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	11.50	ACUITE A2+ (Assigned)
	Term Loan	Long Term	11.03	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	0.97	ACUITE A-   Stable (Assigned)
	Proposed Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Assigned)
	Proposed Cash Credit	Long Term	26.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	8.81	ACUITE A-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1   Upgraded
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A1   Upgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A   Stable   Upgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A   Stable   Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	56.00	ACUITE A   Stable   Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A   Stable   Upgraded
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A1   Upgraded
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.19	ACUITE A1   Upgraded
Axis Bank	Not Applicable	Term Loan	01-12-2020	8	28-11-2025	0.87	ACUITE A   Stable   Upgraded
ICICI Bank Ltd	Not Applicable	Term Loan	01-11-2020	9.5	30-09-2026	3.63	ACUITE A   Stable   Upgraded
Axis Bank	Not Applicable	Term Loan	01-06-2018	9.25	30-04-2026	3.07	ACUITE A   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	01-05-2018	9.5	30-09-2026	19.80	ACUITE A   Stable   Upgraded
Punjab National Bank	Not Applicable	Term Loan	01-02-2021	8.35	28-11-2025	7.89	ACUITE A   Stable   Upgraded

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### About Acuité Ratings & Research

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