

**Press Release**  
**Maan Steel and Power Limited**  
**September 22, 2023**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	135.90	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	43.00	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	178.90	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and its short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs 178.90 Cr bank facilities of Maan Steel and Power Limited (MSPL). The outlook is '**Stable**'.

**Rationale for the Reaffirmation**

The rating takes into account the steady business risk profile of the group marked by improvement in scale of operations. The group has registered healthy revenue growth of almost 20% during FY23 (Provisional) to ~Rs.972.46 Cr as against Rs.814.43 Cr in FY22, majority on account of rise in sale volumes and average realization of Thermo Mechanically Treated (TMT) bars. In current fiscal year, the group has already posted a revenue of about Rs.250 Cr. till June 2023. However, despite improvement in revenues, the profitability of the group witnessed moderation reflected by decline in operating profit margin to 8.39 percent in FY23 (Provisional) compared to 9.01 percent in FY22. The deterioration was led by increase in raw material and power costs along with high base effect on account of better realisation on products.

Furthermore, the rating also draws comfort from the healthy financial risk profile, efficient working capital management and adequate liquidity reflected by low reliance on bank debts and adequate net cash accruals. These strengths are however constrained by the inherent cyclical nature in the steel business and the intense competition in the industry. Furthermore, the margins and cash flows remain susceptible towards fluctuations in raw material prices and demand of its products.

**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.

**About the Group**

- Nageshwar Vintrade Private Limited (NVPL) and Jagdish Commotrade Private Limited (JCPL) are shareholders of MSPL and are investment companies.
- MSPL has invested in Maan Metaliks Private Limited and is an investment company.

**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 No Objection Certificate (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 Agarwal family of Kolkata (West Bengal). The group is managed by Mr. Binod Kumar Agarwal, who has more than two decades of experience in the steel business. As a result, the management has been able to cultivate healthy relationship with its suppliers and customers. MSPL has integrated operations with capacities to produce sponge iron, steel billets and TMT steel. The Company also has a 12 MW of captive power plant which caters to about 50 percent of its power requirement. The Company's revenue stood at Rs. 972.46 Cr in FY23(Provisional) as against Rs. 814.43 Cr in FY22 and Rs. 572.43 Cr in FY21, thus registering a compounding growth of 30 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.

#### **Healthy 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. 215.78 Cr in FY2023(Provisional) as compared to Rs. 182.84 Cr in FY2022 largely attributable to internal accruals. The gearing of the group stood comfortable at 0.21 times as on March 31, 2023(Provisional) as compared to 0.51 times as on March 31, 2022. TOL/TNW stood at 0.73 times in FY23(Provisional) as against 1.02 times in FY22. Interest coverage ratio (ICR) stood strong at 12.43 times in FY2023(Provisional) as against 10.60 times in FY 2022. The improvement in coverage ratio is due to decline in financial cost because of prepayment of existing term loans and low utilisation of its working capital limits. The net cash accruals against total debt (NCA/TD) stood at 0.95 times in FY2023(Provisional) as compared to 0.54 times in the 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.

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

The group has a comfortable working capital cycle as reflected from its Gross Current Asset (GCA) days which stood at 60 days in FY23(Provisional) as against 77 days in FY22. The group has improved its inventory days to 39 days in FY23(Provisional) from 64 days in FY22. The realisation cycle from debtors is also at low levels of 10 days as on March 31, 2023, as the group sells mostly against advance payments. Acuité believes the working capital management will remain at similar levels over the medium term.

### **Weaknesses**

#### **Moderation in profitability margins**

The profitability of the group has witnessed moderation in last two years reflected by its EBITDA margin of 8.39 percent in FY23(Provisional) as against 9.01 percent in FY22 and 12.16 percent in FY21. The deterioration is due to increase in raw material cost as there was a substantial hike in prices of coal and iron ores during FY23. In addition, the power consumption had increased in FY23 on account of rise in capacity utilization of billet unit along with rise in power tariff. Also, the slight moderation in their profit margins in FY23 was mainly due to high base effect on account of better realisation on products. However, the absolute

EBITDA of the group improved to Rs.81.63 Cr in FY23(Provisional) compared to Rs.73.36 Cr in FY22. Acuité believes that the prices of raw materials of iron ores and coking coal are likely to moderate in FY24 because of hike in export duty on iron ore and removal of customs duty on coking coal. This is further expected to support the group towards improvement in profitability margins over medium term.

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

The group's performance remains vulnerable to cyclicity 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 coking 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 profitability margins of the group is exposed towards any volatility in raw material prices.

### **Rating Sensitivities**

- Sustained revenue growth and improvement in profitability margins
- Deterioration in financial risk profile led by any debt funded capex plans
- Any elongation in working capital cycle

### **All Covenants**

None

### **Liquidity Position Adequate**

The group has adequate liquidity as reflected by steady cash accruals, low utilization of working capital limits and comfortable current ratio. The average working capital limit utilisation were at around 34 percent during the past 6 months ended June 2023. The liquidity position is enhanced from the healthy net cash accrual of Rs. 43.95 Cr during FY23(Provisional) against matured debt obligations of Rs.9.05 Cr during the same period. Going forward, the net cash accruals are expected to improve on account of improved realisations. Furthermore, the group has prepaid its term loans in advance to which has reduced the interest cost burden and became nearly long term debt free. The current ratio stood comfortable at 1.45 times during FY23. The working capital requirement of the group stood at prudent level as reflected from GCA days of around 60 days as on 31 March 2023. Acuite believes the liquidity position of the group to remain adequate backed by steady cash flow and accrual, improved current ratio and absence of debt laden capex plans over the medium term.

### **Outlook: Stable**

Acuité believes the outlook on group will remain 'Stable' over the medium term from the Promoters' vast experience in the steel industry, steady business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' if the group is able to maintain sustained revenue growth with substantial improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' if the group witnessed significant deterioration in financial risk profile or large debt funded capex plan.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	972.46	814.43
PAT	Rs. Cr.	32.94	39.54
PAT Margin	(%)	3.39	4.86
Total Debt/Tangible Net Worth	Times	0.21	0.51
PBDIT/Interest	Times	12.43	10.60

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

None

### Any other information

None

### Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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

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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2022	Term Loan	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	4.31	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	3.63	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	2.87	ACUITE A   Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Letter of Credit	Short Term	9.50	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	2.70	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	56.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	11.50	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	3.07	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	5.75	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	2.70	ACUITE A   Stable (Reaffirmed)
Term Loan	Long Term	0.87	ACUITE A   Stable (Reaffirmed)	
14 Jun 2022	Cash Credit	Long Term	56.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	3.07	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	11.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Term Loan	Long Term	7.89	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Proposed Letter of Credit	Short Term	7.19	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Cash Credit	Long Term	20.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Long		ACUITE A   Stable (Upgraded from	

	Term Loan	Term	19.80	ACUITE A-   Stable)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	3.63	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	0.87	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	11.50	ACUITE A1 (Upgraded from ACUITE A2+)
23 Mar 2021	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	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)
	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	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1   Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	56.00	ACUITE A   Stable   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A   Stable   Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.50	ACUITE A1   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.50	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	35.90	ACUITE A   Stable   Reaffirmed

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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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