

## Press Release

### Maithan Steel And Power Limited

October 03, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	116.81	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	20.00	-	ACUITE A1   Assigned
Bank Loan Ratings	270.00	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	58.19	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	465.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has assigned and reaffirmed the long term rating of '**ACUITE A**' (read as **ACUITE A**) and the short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 465.00 Cr bank facilities of Maithan Steel and Power Limited (MSPL). The outlook remains '**Stable**'.

The rating takes into cognizance the strong business risk profile of the company buoyed by its improving revenue trend. The rating is also supported by the management's long track record in the sector, healthy financial position characterised by negligible debt and robust debt coverage indicators, efficient working capital management and strong liquidity position of the company. These strengths are however, partly offset by the cyclical nature of the steel industry and the volatility in commodity prices.

### About the Company

Incorporated in 2001, Maithan Steel & Power Limited (MSPL) is a West Bengal based semi-integrated steel plant, promoted by Mr. Binod Kumar Agarwalla. The company is headed by the second generation promoters, Mr. Madhur Agarwalla and Mr. Kaushal Agarwalla. The company has two manufacturing units located in Neturia, West Bengal for sponge iron and in Salanpur, West Bengal for billet and TMT bars. MSPL has a capacity of 60,000 MTPA of sponge iron, 375,000 MTPA of billets and 297,000 MTPA of TMT bars. The company sells its TMT bars in the name of 'Maithan TMT 600' to more than 800 dealers spread in the regions of West Bengal, Jharkhand, Bihar, Uttar Pradesh and north-eastern states.

### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of MSPL to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Long track record of operation and experienced management**

MSPL has a long operational track record in the iron & steel industry of two decades. In addition to this, the second generation promoters Mr. Madhur Agarwalla and Mr. Kaushal Agarwalla, who have an experience of more than a decade, are now involved with the day to day operations of the company. Acuité believes that the long operational track record of MSPL and promoters' extensive understanding and expertise will support the company's growth plans going forward.

- **Strong business risk profile**

The strong business risk profile of the company is supported by the semi integrated nature of operations with a manufacturing capacity of sponge iron, billets and TMT Bars. The sponge iron is mostly consumed in-house for production of billet and further, the billets are also captively consumed for TMT production. The surplus production of billets is sold to other re-rollers in the market. Acuité believes the semi integrated nature of operations of the company enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent.

Moreover, the company has a locational advantage as the plants are located in the industrial area of West Bengal, 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.

Further, the company has achieved revenues of Rs. 1108.23 Cr in FY2022 (Provisional) as compared to revenues of Rs.552.97 Cr in FY2020 registering a 2-year CAGR of 41 per cent. Further, during the current year the company has achieved Rs 445 Cr (Provisional) in the 1st quarter. The growth can be attributed to commissioning of enhancement in the capacity of billet and TMT bars and the management's focus to increase its dealer-distributors base in Central and Eastern India.

Acuité believes that the company's business risk profile would remain strong and its scale of operations would improve over the medium term backed by their domain expertise and capacity additions.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy networth, low gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.287.06 Cr as on March 31, 2022 (provisional) from Rs.214.47 Cr as on March 31, 2021 due to accretion of profits and infusion of capital of Rs.5 Cr. Gearing of the company stood comfortable at 0.25 as on March 31, 2022 (provisional) as compared to 0.17 as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.50 times as on March 31, 2022 (provisional) as against 0.33 times as on March 31, 2021. The strong debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 29.06 times as on March 31, 2022 (provisional) and Debt Service Coverage Ratio (DSCR) at 20.88 times as on March 31, 2022 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 1.09 times as on March 31, 2022 (provisional).

The company has undertaken a capex to enhance a backward integration capacity of sponge iron of 116,000 MTPA, install one 12 MW Waste Heat Recovery Based captive power plant, installs one 8 MW based coal based captive power plant and install one ferro alloy division of 30,000 MTPA. The total cost of the project is Rs.326.15 Cr of which Rs.220 Cr would be funded through term loan and balance from promoters' sources. The funding risk is

mitigated with the financial tie up completed for the entire Rs. 220 Cr of term loan.

Acuité believes that going forward, despite having debt funded capex plans, the financial risk profile of the company will remain healthy backed by steady accruals.

- **Efficient working capital management**

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 104 days as on March 31, 2022 (provisional) as against 94 days as on March 31, 2021. The comfortable GCA days are primarily on account of comfortable inventory holding level of 56 days as on March 31, 2022 (provisional) as well as the previous year. Further, the debtor period stood low at 33 days as on March 31, 2022 (provisional) as compared to 31 days as on 31st March 2021. Going forward, Acuité believes that the working capital operations of the company will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

### **Weaknesses**

- **Intense competition and inherent cyclicality in the steel industry**

The company is operating in competitive and fragmented nature of industry due to the presence of a large number of unorganized players on account of low entry barriers. Moreover, demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the profit margins and sales of the company remains exposed to inherent cyclicality in these sectors.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- Sustenance of revenue growth
- Improvement in profitability margin
- Elongation of working capital cycle
- Timely completion of the ongoing capex

### **Material covenants**

None

### **Liquidity Position: Strong**

The company's liquidity is strong marked by high net cash accruals stood at Rs.79.04 Cr as on March 31, 2022 (provisional) as against long term debt repayment of Rs. 0.36 Cr over the same period. The fund based limit remains utilised at only 11 per cent over the six months ended June, 2022. The current ratio stood very strong at 3.99 times as on March 31, 2022 (provisional). The cash and bank balances of the company stood at Rs.17.93 Cr as on March 31, 2022 (provisional) as compared to Rs.5.75 Cr as on March 31, 2021. Further, the efficient working capital management of the company is marked by Gross Current Assets (GCA) of 104 days as on March 31, 2022 (provisional) as against 94 days as on March 31, 2021. The company has neither availed loan moratorium nor applied for additional Covid loan. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

### **Outlook: Stable**

Acuité believes that the outlook on MSPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile healthy financial risk profile and efficient working capital management. 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 company's

revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1108.23	636.84
PAT	Rs. Cr.	67.54	70.40
PAT Margin	(%)	6.09	11.05
Total Debt/Tangible Net Worth	Times	0.25	0.17
PBDIT/Interest	Times	29.06	95.22

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

None

### 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>

### 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
22 Sep 2022	Proposed Bank Facility	Long Term	0.60	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	55.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	23.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	16.40	ACUITE A   Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A   Stable (Assigned)
	Cash Credit	Long Term	23.00	ACUITE A   Stable (Assigned)

10 Aug 2021	Cash Credit	Long Term	16.40	ACUITE A   Stable (Assigned)
	Term Loan	Long Term	55.00	ACUITE A   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.60	ACUITE A   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A   Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	23.00	ACUITE A1 (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	23.00	ACUITE A1   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.40	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A1   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	13.19	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	220.00	ACUITE A   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	10-11-2020	8.6	10-11-2028	43.62	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	10-11-2020	8.6	10-11-2028	18.79	ACUITE A   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuите.in">pooja.ghosh@acuите.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuите.in">rating.desk@acuите.in</a>
Kaustav Saha Manager-Rating Operations Tel: 022-49294065 <a href="mailto:kaustav.saha@acuите.in">kaustav.saha@acuите.in</a>	

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.