



Press Release
Maithan Steel And Power Limited
December 24, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	349.08	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	155.92	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	505.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to ‘ACUITE A+’ (read as ACUITE A plus) and the short-term rating to ‘ACUITE A1+’ (read as ACUITE A one plus) on the Rs. 505.00 Cr. bank facilities of Maithan Steel and Power Limited (MSPL). The outlook is ‘Stable’.

Rationale for rating

The rating reaffirmation of MSPL considers the moderation in the scale of operations, efficient working capital management and overall healthy financial risk profile. The rating continues to draw comfort from the company’s experienced management, established track record of operations and strong liquidity position which is maintained despite of increase in the overall debt profile towards the capex.

Going forward, ability of the company to maintain its scale of operations while improving the profitability margins along with ability to maintain the efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

MSPL incorporated in 2001, 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, ferro alloy and captive power plant and in Salanpur, West Bengal for billet and TMT bars. MSPL has a capacity of 176000 MTPA of sponge iron, 375,000 MTPA of billets, 3,30,000MTPA of TMT barss, 30,000 MTPA of ferro alloy plant and captive power plant of 20MW. 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.

Unsupported Rating

Not Applicable

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

Experienced management and established track record of operations

MSPL has an operational track record of over two decades in the iron and steel industry. The company is headed by the second-generation promoters, Mr. Madhur Agarwalla and Mr. Kaushal Agarwalla, who possess an extensive experience of more than a decade and are actively involved in day-to-day operations of the company. The extensive

experience of the promoters has enabled MSPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that MSPL will continue to benefit from its experienced management and established track record of operations.

Healthy financial risk profile

Financial risk profile of MSPL is healthy marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs. 353.38 Cr. as on 31 March 2024 as against Rs. 301.92 Cr. as on 31 March 2023 due to healthy accretion of profits to reserves. It also includes the amount of Rs. 4.68 Cr. been treated as quasi equity which consist of equity component of optionally convertible and non-convertible preference shares issued by the company. Despite of increase in the company's overall debt profile during the year for the purpose of its capex, the gearing (debt-equity) stood low at 0.63 times as on 31 March 2024 as against 0.33 times as on 31 March 2023. The total debt of Rs. 223.83 Cr. as on 31 March 2024 consists of long-term bank borrowings of Rs. 217.31 Cr. and the short-term debt of Rs.6.52 Cr. The interest coverage ratio and DSCR improved and remained comfortable at 16.18 times and 4.52 times for FY2024 respectively as against 9.88 times and 3.90 times for FY2023.

Acuité believes that the financial risk profile of MSPL will remain healthy over the medium term due to its low gearing, healthy tangible net worth and comfortable debt protection metrics.

Mitigation of Capex risk

MSPL had initiated a backward integration project that involves the establishment of a 1*350 TPD DRI Kiln, a 20MW captive power plant, and 2*9MVA submerged arc furnaces to produce ferro alloys. The project was initiated by the company in May 2022 and the anticipated date of completion was March 2025. The total cost of the project was Rs.325.46 Cr., however, the same was completed 6 months ahead of schedule and at lower cost of Rs 305.00 Cr. Hence, the company has mitigated the capex risk and stabilization risk. Going forward, the company's backward integration project of increased sponge iron capacities along with set up of a Waste Heat Recovery Boiler (WHRB) captive power plant likely to improve cost efficiencies on account of reduced material and power costs.

Efficient working capital operations

The working capital operations of MSPL are efficient marked by its Gross Current Assets (GCA) of 60 days for FY2024 as against 62 days for FY2023. This is on account of its improved inventory days which stood at 27 days for FY2024 as against 29 days for FY2023. The receivable days and creditor days stood similar at 20 days and 7 days respectively for FY2024 and FY2023. The average fund-based bank limit utilization for 8 months' period ended September 2024 stood low at 1.76 percent and non-fund-based limit utilization stood at 75.53 percent.

Acuité believes that the ability of MSPL to maintain the efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Weaknesses

Moderation in scale of operations

MSPL reported its revenue of Rs.1645.87 Cr. for FY2024 as against Rs. 1687.90 Cr. for FY2023 due to lower price realisation during the year, further the company reported revenue of Rs. 1161.80 Cr. as on November 2024. Also, the company has been able to increase its operating margins to ~7% in H1FY2025 and the profitability is expected to further improve due to the benefits that the company derives from the installation of power plant. Earlier, due to increase in the rates of DVC over the last couple of years the same was impacting the profitability over the last 2 years. However, with the installation of the captive power plant their reliance on DVC reduces significantly and since the power derived from the captive power plant is largely generated through the waste heat from the sponge iron plant the cost of power is much lower at ~ Rs 0.5 – Rs 1 per unit as compared to Rs 5-5.5 from DVC. Hence, establishment of this power plant will entail in savings of power which in turn will increase the profitability of the company going forward.

The operating margin of the company remained subdued at 5.00 percent in FY2024 as against 6.32 percent in FY2023. The net profit margin of the company stood at 3.09 percent in FY2024 as against 1.51 percent in FY2023.

Going forward, the company's backward integration project of increased sponge iron capacities along with set up of a Waste Heat Recovery Boiler (WHRB) captive power plant which will lead to improved cost efficiencies on account of reduced material and power costs.

Acuité believes that the ability of MSPL to maintain its scale of operations while improving the profitability margins will remain a key rating sensitivity factor.

Intense competition and inherent cyclicality in the steel industry

MSPL is operating in a competitive and fragmented nature of industry due to the presence of many 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 cyclicalities in these sectors.

Rating Sensitivities

- Ability to improve the scale of operations and the profitability margins
- Ability to maintain the efficient working capital cycle
- Ability to improve financial risk profile further while maintaining strong liquidity.

Liquidity Position

Strong

MSPL has strong liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals of Rs. 65.47 Cr. against its debt repayment obligation of Rs. 10.26 Cr. in FY2024. Going forward, the NCA are expected in the range of Rs.90.00 Cr. to Rs.125.00 Cr. for the period FY2025-FY2026 against its debt repayment obligation in the range of Rs.10.00 Cr. to Rs.35.00 Cr. during the same period. The company has cash & bank balance of Rs. 29.98 Cr. in FY2024.

Acuité believes that the liquidity of MSPL is likely to remain strong over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1645.87	1687.90
PAT	Rs. Cr.	50.85	25.41
PAT Margin	(%)	3.09	1.51
Total Debt/Tangible Net Worth	Times	0.63	0.33
PBDIT/Interest	Times	16.18	9.88

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>
- Manufacturing Entities: <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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
29 Sep 2023	Term Loan	Long Term	37.73	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	63.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	75.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	100.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	26.40	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	16.34	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	45.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	32.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Bank Guarantee/Letter of Guarantee	Short Term	33.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Proposed Short Term Bank Facility	Short Term	21.53	ACUITE A1+ (Upgraded from ACUITE A1)
	Proposed Short Term Bank Facility	Short Term	40.00	ACUITE A1+ (Assigned)
03 Oct 2022	Term Loan	Long Term	43.62	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	16.40	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	18.79	ACUITE A Stable (Reaffirmed)
	Proposed Term Loan	Long Term	220.00	ACUITE A Stable (Assigned)
	Proposed Cash Credit	Long Term	35.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	23.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	20.00	ACUITE A1 (Assigned)
	Proposed Short Term Bank Facility	Short Term	13.19	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	55.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	16.40	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)

22 Sep 2022	Term Loan	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.60	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	23.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Reaffirmed)
10 Aug 2021	Term Loan	Long Term	20.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	55.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.60	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	16.40	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	23.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	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.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.00	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE A1+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A1+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	63.00	Simple	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.40	Simple	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	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.	21.53	Simple	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.	9.39	Simple	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Dec 2028	13.40	Simple	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	40.00	Simple	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	27.91	Simple	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	74.37	Simple	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	89.00	Simple	ACUITE A+ Stable Reaffirmed

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