



Press Release
Karnikripa Power Private Limited
July 01, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	74.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	115.00	ACUITE BBB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	189.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.115.00 Cr. bank facilities of Karnikripa Power Private Limited . The outlook remains '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) to the Rs.74.00 Cr. bank facilities of Karnikripa Power Private Limited. The outlook is '**Stable**'.

Rationale for upgrade

The rating upgrade takes into account the timely completion of ongoing capex a KPPL. A sponge iron manufacturing facility with 165000MTPA capacity was set up in KPPL at a total project cost of Rs. 120.80 crore. The project was funded by debt of Rs. 80 Cr. and balance was funded through promoters' sources. The project construction was completed in FY2024 and commercial production has begun at the unit from April, 2024 onwards. Thus, reducing the execution risk of the project.

The rating also takes into account the stable operating and financial performance of the group marked by improving revenue, operating profitability and healthy financial risk profile. The operating income of the group stood at Rs. 1409.71 Cr. in FY2023 as against Rs. 1323.95 Cr. in FY2022. The revenue is estimated to stand at ~Rs. 1501.78 Cr. in FY2024E. In terms of profitability, the operating margin has recorded an increasing trend as it stood at 10.13 percent in FY2023 as against 8.04 percent in FY2022. The net profitability stood at 4.29 percent in FY2023 as against 2.84 percent in FY2022. The profitability is estimated to remain in similar range in FY2024 as FY2023. The operating margin is estimated in the range of 10.5-11 percent and net profitability in the range of 4-4.5 percent. The financial risk profile continues to remain healthy marked by low gearing and comfortable debt protection metrics. The overall gearing which stood at 0.73 times as on March 31, 2022 rose slightly to 0.83 times as on March 31, 2023. The increase is primarily on account of surge in long term debt, incurred towards ongoing capex in group entities. The gearing is estimated to rise further in FY2024, however, shall remain below unity.

Going forward, the group's ability to scale up its operations while maintaining its profitability and capital structure will remain a key rating monitorable.

About the Company

Incorporated in 2020, Karnikripa Power Private Limited (KPPL) is based in Chhattisgarh. KPPL's commercial operations of manufacturing sponge iron is expected to commence by FY2024. The company is the flagship entity of the Maruti Group. Currently, KPPL is headed by Mr. Saurabh Tola, Mr. Ankit Chowdhary and others. The company has a capacity of 165000 MTPA of Sponge Iron.

About the Group

Incorporated in 2005, Chhattisgarh based Maruti Ferrous Private Limited (MFPL) is engaged in manufacturing of billets and TMT bars. The company is the flagship entity of the Maruti Group. Currently, MFPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary and others. The company has a capacity of 96000 MTPA for Billet and 150000 MTPA for TMT bars.

Incorporated in 2002, Chhattisgarh based Nutan Ispat & Power Private Limited (NIPPL) is engaged in manufacturing of sponge iron, billets and TMT bars. In 2014, the company became part of the Maruti group. Currently, NIPPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary and others. The company has a capacity of 60000 MTPA for Sponge Iron, 88320 MTPA for Billet, 150000 MTPA for TMT bars and a 10MW captive power plant.

Incorporated in 1991, Chhattisgarh based Sunil Ispat & Power Limited (SIPL) is engaged in manufacturing of sponge iron. In 2019, Maruti Ferrous Private Limited had acquired Sunil Ispat & Power Limited (SIPL) through NCLT. Currently, the company has a capacity of 115000 MTPA for Sponge Iron, 30000 MTPA for Ferro Alloys and a 20MW captive power plant.

Incorporated in 2004, Chhattisgarh based Ghankun Steels Private Limited (GSPL) is engaged in manufacturing of sponge iron and billets. In 2010, the company became part of the Maruti group. Currently, GSPL is headed by Mr. Bimal Kishore Khetan, Mr. Ankit Chowdhary and others. The company has a capacity of 75000 MTPA for Sponge Iron, 75000 MTPA for Billet (Previously, capacity of 15000 for Billet was present and now capacity of 60000 MTPA got transferred from Hanuman Ispat Private Limited) and a 9.5MW captive power plant.

The Group also consists of two more entities Hanuman Ispat Private Limited (HIPL) and HSR Re-Rollers Private Limited (HRRPL).

Earlier, Hanuman Ispat Private Limited (HIPL) had a billet capacity of 60000 MTPA, which is now transferred to Ghankun Steels Private Limited.

Further, HSR Re-Rollers Private Limited (HRRPL) is engaged in manufacturing of 60000 MTPA of TMT.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has revised the approach to include Karnikripa Power Private Limited (KPPL) into the 'Maruti Group', as the group has a 100 per cent stake in the entity and the operations would be managed by the Maruti group. Hence, Acuité has consolidated the business and financial risk profiles of Maruti Ferrous Private Limited (MFPL), Nutan Ispat and Power Private Limited (NIPPL), Ghankun Steels Private Limited (GSPL), Hanuman Ispat Private Limited (HIPL), HSR Re-Rollers Private Limited (HRRPL), Sunil Ispat and Power Limited (SIPL) and Karnikripa Power Private Limited (KPPL) together referred to as the 'Maruti Group' (MG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Experienced Management

The key promoters of the group, Mr. Nawal Khetan, Mr. Ashok Chowdhary and Mr. Rajesh

Tola have been associated with the iron & steel industry for two decades. In addition to this, the second generation promoters are having experience of around a decade. Acuité derives comfort from the long experience of the promoters.

Sound business risk profile of the group

The sound business risk profile of the group is supported by the integrated nature of operations with a manufacturing capacity of sponge iron, billets, TMT Bars & other rolled products, ferro alloys and three waste heat based captive power plants. Nutan Ispat and Power Private Limited has become fully integrated after the recent addition of billet division and power plant. Further, Sunil Ispat & Power Limited (SIPL) supplies sponge iron to Maruti Ferrous Private Limited and now the newly installed Karnikripa power Private Limited company will supply sponge iron for the captive consumption of the group. Acuité believes that the integrated nature of the group enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent.

In addition to this, the group has a locational advantage as the plants are located in the industrial area of Raipur, Chhattisgarh, 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. The operating income of the group stood at Rs. 1409.71 Cr. in FY2023 as against Rs. 1323.95 Cr. in FY2022. The revenue is estimated to stand at ~Rs. 1501.78 Cr. in FY2024E. In terms of profitability, the operating margin has recorded an increasing trend as it stood at 10.13 percent in FY2023 as against 8.04 percent in FY2022. The net profitability stood at 4.29 percent in FY2023 as against 2.84 percent in FY2022. The profitability is estimated to remain in similar range in FY2024 as FY2023. The operating margin is estimated in the range of 10.5-11 percent and net profitability in the range of 4-4.5 percent. Acuité believes that the scaling up of operations while maintaining the profitability margin would be a key monitorable going forward.

Healthy Financial Risk Profile

The group's healthy financial risk profile is marked by healthy net-worth, comfortable gearing and moderately comfortable debt protection metrics. The tangible net worth of the group stood at Rs. 431.12 Cr. as on March 31, 2023 from Rs. 369.07 Cr. as on March 31, 2022 due to accretion of profits to reserves. Acuite has considered unsecured loans worth Rs. 125.08 crore as on March 31, 2023 as quasi equity as the management has undertaken to maintain the

amount in the business over the medium term. The gearing stood below unity at 0.83 times as on March 31, 2023 as against 0.73 times on March 31, 2022. Increase in the gearing level is on account of additional debt availed by the group in FY2023 primarily towards in capex in KPPL. The Total Outside Liabilities/Tangible Networth stood moderate at 1.34 times as on March 31, 2023 as against 1.23 times on March 31, 2022. The debt protection metrics are moderately comfortable marked by Interest coverage ratio (ICR) at 3.84 times on March 31, 2023 as against 3.18 times on March 31, 2022. The Debt service coverage ratio (DSCR) stood at 1.87 times on March 31, 2023 as well as March 31, 2022. NCA/Total Debt stood at 0.25 times on March 31, 2023 as against 0.24 times on March 31, 2022.

In FY2024, the company is estimated to avail further long term debt towards completion of its capex project in KPPL. The group set up a sponge iron plant with an installed capacity of 165,000 MTPA in Karnikripa Power Pvt. Ltd. (KPPL). The total cost of the project for Sponge Iron manufacturing is Rs. 120.80 crore which is funded through debt of Rs. 80 Cr. and Rs. 40.80 Cr. from promoters' sources. The commercial operations in the new unit has commenced from April, 2024 onwards. In FY2025, the company plans to avail short term debt to the tune of additional Rs.200 Cr. in KPPL to support the group's enhanced working capital requirement. Acuite believes that the financial risk profile group will remain healthy over the medium term.

Moderate working capital management

The moderate working capital management of the group is marked by Gross Current Assets (GCA) of 108 days as on 31st March 2023 as compared to 113 days as on 31st March 2022. The GCA days is primarily on account of a high proportion of other receivables and recoveries. Further, the inventory holding stood at 65 days in 31st March 2023 as compared to

67 days as on 31st March 2022. However, the debtor period stood comfortable at 2 days as on 31st March 2023 as compared to 10 days as on 31st March 2022. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

Weaknesses

Intense competition and inherent cyclical nature of the steel industry

The steel rolling industry remains fragmented and unorganised. The group is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Further, there has been a significant push by the government on steel-intensive sectors such as railways and infrastructure, any sustained downturn in demand will adversely impact performance of steel companies. Additionally, prices of raw materials and products are highly volatile in nature. Business operations also face competition from cheaper Indonesian and Chinese imports. Substantial increase in imports may adversely impact realisation and volumes, and hence, remains a key monitorable.

Rating Sensitivities

- > Scaling up of operations while maintaining profitability margins and capital structure
- > Elongation of working capital cycle

Liquidity Position

Adequate

The liquidity position of the group is adequate marked by steady Net Cash Accruals (NCA) of Rs. 88.93 Cr. in FY2023 as against debt repayment obligations of Rs. 19.25 crore for the same period. The group is expected to generate NCA in the range of Rs. 95.00 Cr. to 200.00 Cr. for FY2025 – FY2026. The fund based limits remain utilized at 88.10 percent seven months ended March 2024. The group has an unencumbered cash and bank balance of Rs. 1.37 crore as on March 31, 2023. The current ratio stands at 1.17 times as on March 31, 2023 as against 1.40 times on March 31, 2022. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on Maruti Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position and healthy financial risk profile. 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 Group's revenues or profit margins, or in case of deterioration in the group's financial risk profile or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1409.71	1323.95
PAT	Rs. Cr.	60.45	37.53
PAT Margin	(%)	4.29	2.84
Total Debt/Tangible Net Worth	Times	0.83	0.73
PBDIT/Interest	Times	3.84	3.18

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

Not Applicable

Any Other Information

None

Applicable Criteria

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 May 2023	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	85.00	ACUITE BBB 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
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Term Loan	30 Jun 2023	Not avl. / Not appl.	28 Feb 2031	Simple	79.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	31 Oct 2023	Not avl. / Not appl.	30 Jun 2031	Simple	6.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	31 Oct 2023	Not avl. / Not appl.	30 Jun 2031	Simple	74.00	ACUITE BBB+ Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Maruti Ferrous Private Limited
2	Karnikripa Power Private Limited
3	Ghankun Steels Private Limited
4	Sunil Ispat and Power Limited
5	Nutan Ispat and Power Private Limited
6	Hanuman Ispat Private Limited
7	HSR Re-Rollers Private Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Apurva Kumari Associate Analyst-Rating Operations Tel: 022-49294065 apurva.kumari@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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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