



Press Release

M/s Maharaja

April 01, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	25.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned
2	Short Term Bank Facilities	6.00	IVR A3 (IVR A Three)	Assigned
	Total	31.00 (Rs. Thirty-One crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of M/s Maharaja (Maharaja) derives comfort from its experienced promoter, strategic location of its plant, stable operating performance along with satisfactory capital structure with moderate debt-protection matrices. These rating strengths are partially offset by its partnership nature of constitution, volatility in the prices of raw materials and finished goods with linkage to international pricing movement, thin profitability, increased competitions marked by low entry barriers and working capital intensive nature of its operations.

Rating Sensitivities

Upward factors

- Steady growth in scale of operations with improvement in profit margin on a sustained basis.
- Improvement in capital Structure with improvement in the overall gearing and/or improvement in its debt protection metrics with interest coverage more than 3x
- Improvement in liquidity with improvement in operating cycle

Downward Factors

- Moderation in scale of operation and/or moderation in profitability affecting the cash accrual to below Rs.1 crore
- Deterioration in the overall gearing to more than 1.50x and/or moderation in its debt protection metrics with interest coverage ratio below 1.8x
- Elongation in operating cycle with moderation in liquidity



Press Release

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoter**

Maharaja was taken over by Mr. Navneet Kumar Agarwal in the year 1992. Mr. Agarwal has more than 20 years of experience in the metal & mining industry. Mr. Agarwal heads the partnership firm since taking over the firm after 1992. Over the years of its operation, the firm has shown steady growth in manufacturing & trading of coke, in the eastern region.

- **Strategic location of plant**

The manufacturing facility of Maharaja is located in Durgapur, West Bengal. Durgapur being the industrial belt of west Bengal has a lot of demand for coke from the existing steel plants. The entire region has a consumption of 70000 MT per month. Maharaja being in a strategic location, is benefitting from saving in transport cost in the long run.

- **Stable operating performance**

The financial performance of the firm remained stable over the past three fiscals in the range of ~ Rs.100-110 crore ending in FY20 with gradual increase in its gross cash accruals. Further, during 11MFY21, the firm has achieved total operating income of Rs.107.08 crore.

- **Satisfactory capital structure with moderate debt-protection matrices**

The firm had a comfortable long-term debt-equity ratio and overall gearing of 0.01x and 1.04x respectively as on March 31,2020 as compared to 0.04x and 0.90x as on March 31, 2019 respectively. Overall gearing ratio had deteriorated slightly on account of higher utilisation of bank borrowings to fund the working capital needs. The firm has unsecured loans worth Rs.3.24 crore which are unsubordinated but infused by the partners and associates which will remain in the business (as per an undertaking received from the firm), thus considered as neither debt nor equity. Further, the debt protection parameters marked by the interest coverage ratio and DSCR remained healthy over the past three years. However, the total debt to GCA deteriorated to 11.06x in FY20 from 9.32x in FY19 mainly due to increase in total debt with the increase in bank borrowing.

Key Rating Weaknesses

- **Partnership nature of constitution**

Maharaja, being a partnership firm, is exposed to inherent risk of partners' capital being withdrawn at the time of personal contingency and firm being dissolved upon the



Press Release

death/retirement/insolvency of the partner. Furthermore, partnership entities have restricted access to external borrowing, as credit worthiness of partner would be the key factors affecting credit decision for the lenders.

- **Volatility in the prices of raw materials and finished goods and linkage to international pricing movement**

The price of coal have been volatile over the over the last three years and thus effecting the profit margins of the firm. Similarly, the price realisation for Coke are linked to the price of input prices, where there could be squeezing of margin when the input cost increase is not fully absorbed in the selling prices. Also, the coal and coke prices are highly influenced by international market prices, and thus any changes would affect the prices in India.

- **Thin profitability**

The profitability of the firm remained thin over the past three years notwithstanding improvement in its EBIDTA margin and in its PAT margin from 3.71% and 0.90% respectively in FY19 to 4.00% and 0.95% respectively in FY20. Due to low profitability the gross cash accruals of the firm also remained moderate at Rs.1.71 crore in FY20 (Rs.1.66 crore in FY19).

- **Increased competitions marked by low entry barriers**

Indian coal quality has lower Fe content as compared to coal from Australia and Indonesia, hence increasing pressure on domestic coal players as demand for Indian coal is reducing as the imported coal is available in competitive prices. Further, Maharaja mainly operates in the State of West Bengal thus exposed to geographical concentration risk. Further, in trading operations there are low entry barriers and many small players are active due to low level of product differentiation.

- **Working capital intensive nature of operations**

The operation of the firm remained working capital intensive marked by its elongated operating cycle attributable to its high receivable period and moderate inventory period.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity: Adequate



Press Release

The liquidity profile of Maharaja is expected to remain adequate marked by its expected satisfactory cash accrual vis a- vis its debt repayment obligations in FY21. During last 12 months ending in January 2021, average utilisation of bank borrowing was around ~83% indicating an adequate liquidity buffer. However, the liquidity profile is restricted due to its working capital-intensive nature of operations.

About the Firm

M/s Maharaja (Maharaja) was set up and started operations in 1984 by Mr. Vineet Khanna. However, Mr. Navneet Kumar Agarwal (Partner) bought the firm from Mr. Khanna in the year 1992. The entity is engaged in coal trading and production of B.H Low Ash Metallurgical coke. The firm manufactures coke with Fixed Carbon (FC) content being 65-70%. The manufacturing facility of the firm is located at Durgapur with an installed capacity of 48600 MTPA of Low Ash Metallurgical Coke per year and 4800 MTPA of Coke Dust per year. Maharaja is mainly operating in Durgapur and nearby areas.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	111.13	109.62
EBITDA	4.12	4.38
PAT	1.00	1.04
Total Debt	15.49	18.90
Tangible Net worth	17.25	18.15
EBITDA Margin (%)	3.71	4.00
PAT Margin (%)	0.90	0.95
Overall Gearing Ratio (x)	0.90	1.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	5.00	IVR BBB- / Stable	-	-	-
2	Cash Credit	Long Term	20.00	IVR BBB- / Stable	-	-	-
3	BG	Short Term	6.00	IVR A3	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sanmoy Lahiri	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: slahiri@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength



Press Release

of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
LT Fund Based Limits – Term Loan	-	-	March 2026	5.00	IVR BBB-/Stable
LT Fund Based Limits – CC	-	-	-	20.00	IVR BBB-/Stable
ST Non-Fund Based Limits – BG	-	-	-	6.00	IVR A3