



## Press Release

### Maiden Forgings Private Limited

July 27, 2021

#### Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	25.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
<b>Total</b>	<b>25.00</b> <b>(Rupees twenty five crores only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Maiden Forgings Pvt Ltd (MFPL) derives comfort from its long track record of operations under experienced promoters, reputed customer base, stable financial performance and its average financial risk profile marked by moderate capital structure with average debt protection metrics. However, these rating strengths are partially offset by its exposure to intense competition, susceptibility of margins to fluctuations in raw material prices, working capital intensive nature of operation and exposure to cyclicalities in the steel and automobile industry.

#### Key Rating Sensitivities:

##### Upward Factors

###### Upward Factors:

- Substantial and sustained growth in operating income, operating margin and cash accrual
- Improvement in working capital management with improvement in operating cycle
- Improvement in capital structure with improvement in overall gearing to below 2x and/or improvement in debt protection metrics with interest coverage ratio at above 2.5x on sustained basis

###### Downward Factors:

- More than expected moderation in operating income and/or cash accrual impacting the debt protection metrics on a sustained basis



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- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 3x and moderation in interest coverage to below 1.5x

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters with long track record of operations**

MGPL is promoted by Mr. Sanjay Garg having experience of more than three decades in the bright bar industry and is further supported by her son Mr. Nishant Garg having an experience of around a decade with MGPL. Long presence of the promoters in the industry underpins its business risk to an extent.

- **Reputed customer base**

MFPL's business risk profile continues to be supported by its healthy and long-standing relationship developed with various reputed clients. Moreover, reputed client base ensures timely realization of receivables.

- **Stable financial performance**

The financial performance of the company remained stable with satisfactory total operating income of around Rs.200 crore over the past three fiscals. Despite interrupted operations due to Covid-19 pandemic during Q4FY20 and in Q1FY21 the company was able to maintain its topline around Rs.200 crore in FY21. The EBITDA margin of the company remained moderate in the range of 4.60%-6.55% during the past three fiscals. However, the PAT margin of the company though remained thin attributable to its high interest outgo in view of its leveraged capital structure witnessed gradual improvement from 0.72% in FY19 to 1.13% in FY21.

- **Average financial risk profile marked by moderate capital structure with average debt protection metrics**

The financial risk profile of the company remained average marked by its moderate capital structure with average debt protection metrics. The capital structure of the company though witnessed gradual improvement driven by accretion of profit to net worth and infusion of equity during FY21 remained leveraged as on the past three account closing dates. The promoters have infused equity aggregating to ~Rs.5.90 crore in FY21. Fresh equity infusion coupled with



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accretion of profit led to improvement in the overall gearing ratio to 2.07x as on March 31, 2021 (provisional) as against 2.96x as on March 31, 2020. The debt protection metrics of the company also remained average over the past three fiscals. The interest coverage ratio remained satisfactory at 2x in FY21 (1.99x in FY19). However, total debt to GCA stood high at 10.63 years in FY21 (9.88 years in FY20). On the other hand, the total indebtedness of the company remained satisfactory at 2.66x as on March 31, 2021. Further, Infomerics expects improvement in the capital structure in the near term with no near-term debt funded capex plan.

### **B. Key Rating Weaknesses**

- **Exposure to intense competition**

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, MFPL also faces competition from the organized sector players.

- **Susceptibility of profit margins to fluctuations in raw material prices**

The main raw materials used by MFPL are steel bars and rods etc. Raw material cost is a major contributor to its total operating cost, thereby making profitability sensitive to raw material prices. Further, the major raw material price of the company is prone to witness frequent price fluctuations. Thus, any adverse change in the prices of the raw material may affect the profitability margins of the MFPL.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive in nature. The company is required to maintain adequate inventory of raw material for smooth production process as well as maintain inventory of finished goods to meet demand of its customers which resulted in average inventory period of 57 days for FY21 as compared to 44 days in FY20. Furthermore, the company offers a credit period of around 1-2 months to its customers owing to its presence in highly competitive industry resulting in average collection period of 62 days for FY20 and FY21. However, it receives a credit period of 15-30 days from its suppliers. The operating cycle of the company stood at 92 days in FY21 (provisional) as compared to 69 days in FY20. The average working capital utilization remained high at around 95% over the past 12 months ended June 2021.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate marked by its expected adequate gross cash accruals as against its debt service obligations during FY22-24. The company has generated cash accruals of Rs.5.76 crore as against repayment obligations of Rs.5.34 crore in FY21. Further, the company is expected to generate cash accruals in the range of ~Rs.6.7-11.5 crore as against repayment obligations in the range of ~Rs.4.50-6.50 crore during FY22-24. However, the liquidity position is constrained due to its limited gearing headroom owing to leveraged capital structure and low buffer in its working capital limits marked by average working capital utilization of ~95% for the past 12 months period ending June, 2021.

### **About the Company**

Delhi based Maiden Forgings Private Limited was incorporated in February, 2005 by one Mr. Sanjay Garg. MFPL is currently being managed by Mr Sanjay Garg and his son Mr. Nishant Garg. MFPL is engaged in the manufacturing of various types of bright steel bars and wires which is used for manufacturing of automotive components like Axel, clutch etc. The company has three manufacturing facility based at Ghaziabad with total installed capacity of around 31500 metric tons per annum of bright bars and wires.

### **Financials (Standalone):**

<b>For the year ended* / As On</b>	<b>31-03-2020</b>	<b>31-03-2021</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	204.31	200.64
EBITDA	13.37	12.70
PAT	2.01	2.26
Total Debt	63.22	61.26
Tangible Net worth	21.39	29.58
EBITDA Margin (%)	6.54	6.33
PAT Margin (%)	0.98	1.13
Overall Gearing Ratio (x)	2.96	2.07

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA: Not Applicable**



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**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	25.00	IVR BBB- / Stable Outlook	-	-	-

**Name and Contact Details of the Rating Analyst:**

Name: Ms. Nidhi Sukhani

Tel: (033) 46022266

Email: [nsukhani@infomerics.com](mailto:nsukhani@infomerics.com)

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: [apodder@infomerics.com](mailto: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.

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**Annexure 1: Details of Facilities**





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limit- Cash Credit	-	-	-	25.00	IVR BBB-/ Stable Outlook

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/lenders-maidan-forings-27-july21.pdf>

**Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:**

Not Applicable

**Annexure 4: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple

**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](http://www.infomerics.com).