Press Release

Maa Mahamaya Industries Ltd

November 07, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank facilities	25.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank facilities - (Proposed)	6.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Long Term Debt facilities – Non-Convertible Debentures	81.46	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Assigned	Simple
Total	**112.46 (Rupees One hundred and twelve crores and forty-six lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Maa Mahamaya Industries Ltd derive strengths from experienced promoters, established market presence and improved financial performance. However, the rating is constrained due to modest debt protection metrics, intense competition from the unorganized sector and cyclicality in the steel industry and cyclical nature of the industry.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in its revenues and improve its liquidity position while maintaining healthy profit margins.
- Significant improvement in debt protection parameters and liquidity position of the company.

Downward Factors:

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company
- Any large debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

List of Key Rating Drivers with Detailed Description:

Key Rating Strengths

Experienced promoters

The promoter of MMIL, Mr. Ashok Kumar Agrawal who is first generation entrepreneur and is currently supported by Mr. Anunay Agrawal. The promoters have an experience of over two decades in steel industry. This has given them an understanding of the dynamics of the market, industry cycles and has enabled them to establish relationships with suppliers and customers. He is ably assisted by a team of well qualified and experienced professionals.

Established market presence

MMIL's presence in the industry has enabled it to garner customer confidence over the decades thereby, establishing a well-reputed brand in the name of 'Mangal TMT' in the state of Andhra Pradesh. The company sells its products through the wide network of dealers spread across geographies.

Improved Financial Performance

The operating revenue of the company in past three years has witnessed CAGR of 27%. During FY23, the TOI declined marginally to Rs 697 Cr. as against Rs 743 Cr. in FY22. The decline was mainly on account of higher trading sales achieved in FY22. However, during FY23 the manufacturing sales have increased led by improved sales volume and realizations on back of strong demand for TMT bars mainly driven from the infrastructure sector. With improved realizations, the operating margins have improved to 8.77% in FY23 from that of 7.34% in FY22. As the company repaid its dues to Pheonix ARC Pvt. Ltd. in the current FY, the interest portion consequently lowered further improving the bottom-line and PAT margin. The PAT margin for FY23 stood at 5.04% as against 3.89% in FY22. The company has healthy cash accruals and accumulation and has been enabling the company to improve its networth over the years. The Tangible Net Worth of the company stands at Rs 119.94 Cr. in FY23 increasing from Rs. 90.10 Cr. in FY22. The overall gearing ratio has significantly improved over the years as a result of various measures undertaken by company in terms of refinancing its debt at lower cost and improving the business operations. The overall gearing for FY23 stood at 0.74x in FY23 as against 0.91x in FY22. The TOL/TNW has improved to 1.49x in FY23 from that of 2.14x in FY22 as supported by improvement in the networth.

B. Key Rating Weaknesses

Moderate debt protection metrics

With healthy profitability, coverage metrics remained moderate at 3.57x in FY23 improving from 2.82x in FY22. The DSCR stood moderate at 1.21x indicating comfortable liquidity position of the entity in meeting its debt obligations.

Intense competition from the unorganized sector and cyclicality in the steel industry

The Indian steel industry is characterized by high degree of fragmentation due to the presence of the large numbers of unorganized players. Further, low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers. Furthermore, the industry is highly cyclical in nature resulting in fluctuating revenue and profitability. However, the company has been focusing on developing its brand ‘Mangal TMT’ as well as expanding client base inclusive of Institutional clients.

Cyclical Nature of the industry

The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to demand supply mismatch.

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of Rating Outlook | Infomerics Ratings

Liquidity –Adequate

The company has modest current ratio of 1.25x in FY23 and an average cash credit utilization of ~84% reflecting a moderate liquidity position. The liquidity position of the company is further supported by sufficient accruals in tune of Rs. 44 Cr. as against a debt repayment obligation of Rs. 26 Cr. The DSCR stood moderate at 1.21x indicating comfortable liquidity position of the entity in meeting its debt obligations. Thus, the overall liquidity position of the company remained adequate.

About the Company:

Maa Mahamaya Industries Limited (MMIL) was incorporated in the year 2007 by Mr. Ashok Kumar Agrawal & Ms. Anita Agrawal. MMIL is an integrated steel manufacturer based out of Vishakhapatnam with an installed capacity of Rolling mills – TMT bars – 130,065 MT, Steel Melting Shop – Billet - 134,400 MT and Sponge Iron Division - 121,250 MT. The company has a captive power plant – 25 MW. The company sells the TMT bars under the brand name ‘MANGAL TMT’ which has well-established brand presence in the market. The plant is located in Vizianagaram District, near to Visakhapatnam.

Financials (Standalone):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	743.36	697.84
EBITDA	54.59	61.22
PAT	28.99	35.20
Total Debt	81.77	88.98
Adj. Tangible Net worth	90.10	119.94
EBITDA Margin (%)	7.34	8.77
PAT Margin (%)	3.89	5.04
Overall Gearing Ratio (times)	0.91	0.74

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Fund Based	25.00	IVR BBB/ Stable Outlook	-	-	-
2.	Proposed facilities	Fund Based	6.00	IVR A3+	-	-	-
3.	Non-Convertible Debentures	Debt	81.46	IVR BBB/ Stable Outlook	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCD	Aug. 29, 2022	16.50	Sept. 10, 2025	23.55	IVR BBB/ Stable

					Outlook
NCD	Aug. 29, 2022	16.50	Sept. 10, 2025	36.40	IVR BBB/ Stable Outlook
NCD	Aug. 29, 2022	16.50	Sept. 10, 2025	1.51	IVR BBB/ Stable Outlook
NCD	Aug. 30, 2023	14.65	Sept. 10, 2025	10.00	IVR BBB/ Stable Outlook
NCD	To be disbursed	TBD	TBD	10.00	IVR BBB/ Stable Outlook
Cash credit	-	-	Revolving	25.00	IVR BBB/ Stable Outlook
Proposed	-	-	-	6.00	IVR A3+

Synopsis of the Term Sheet - Amount: INR 85.00 crores

Issuer	MAA MAHAMAYA INDUSTRIES LIMITED
ISIN number	INE898P07022
Seniority	16.50% Secured Unrated Unlisted Redeemable Non-Convertible Debentures
Issue Size	Up to INR 850.0 mn in the form of Non-Convertible Debentures ("NCD") • Tranche 1: Up to INR 800.0 mn. • Tranche 2: Up to INR 50.0 mn

Synopsis of the Term Sheet - Amount: INR 20.00 crores

Issuer	MAA MAHAMAYA INDUSTRIES LIMITED
ISIN number	INE898P07030
Seniority	14.65% Secured Unrated Unlisted Redeemable Non-Convertible Debenture
Issue Size	• The present outstanding, as of Aug 18, 2023 under the Existing Instrument is ~ INR 623.0 million. • Additional Tranches (Tranche 4 of INR 100.0 million and Tranche 5 of INR 100.0 million) aggregating to INR 200.0 million to be added in the Existing Debenture Trust Deed so that overall net exposure remains within the original INR 850.0 million. All existing terms & conditions to continue and to include Tranche 4 & 5.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-Mahamaya-nov23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities:

Name of the Instrument	Detailed Explanation
Financial Covenant	

1	• The Company shall maintain the Debenture Redemption Reserve as stipulated in paragraph 2.9 of Schedule 3.
2	• The Company shall maintain a Fixed Asset Coverage Ratio of 2.00x of the Secured Obligations.
3	• The Company shall deliver a compliance certificate signed by an independent practising chartered accountant or the statutory auditors of the Company, in the form and manner satisfactory to the Trustee (acting on Approved Instructions), within 60 (sixty) days from the end of each Financial Year ending on March 31, 2023, stating that it is compliance with the financial covenants set out in this Paragraph 4 (Financial Covenants) and setting out, in reasonable details, the calculations in relation to the financial covenants.
Non-financial Covenant	
1	• Any change in Board of the Issuer will be subject prior Investor approval
2	• Issuer to agree to implementation of ESG Action Plan
3	• Company to maintain a Fixed Asset Coverage Ratio of 2.0x
4	• Company to maintain Minutes of Board Meeting and Statutory Register as per secretarial standards
5	• Company to report appropriate carry forward of losses while filing ITR for FY22.
6	• Company should ensure filing of TDS and other regulatory filings within the prescribed due dates as per extant guidelines.
7	• Company to ensure compliance with the applicable accounting standard provisions

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