Maharaja Ispat Private Limited
September 19, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	70.25 (reduced from 71.45)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Downgrade	Simple
Short-term Bank Facilities	16.00	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	Downgrade	Simple
Total	**86.25 (Rs. Eighty-six crore and Twenty-five only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The downgrade of the ratings assigned to the bank facilities of Maharaja Ispat Private Limited (MIPL) takes into account the contraction in scale of operation during FY24 (refers to period April 1st, 2023, to Mar 31st, 2024) coupled with continuous decline in profitability over last three financial years. However, the ratings also continue to derive comfort from experienced promoter with long track record, commencement of repairing of LPG Cylinders and HR sheet cutting, strategic location of plant, moderate scale of operations with adequate profitability and comfortable capital structure with adequate debt protection metrics. These rating strengths continues to remain partially offset by its susceptibility of profitability to volatility in the prices of raw materials and finished goods, exposure to geographical concentration risk and working capital intensive nature of operation.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement operating margin on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in capital structure leading to improvement in leverage ratios

Downward Factors

- Any decline in revenue and operating margin on a sustained basis
- Moderation in the capital structure with further deterioration of overall gearing ratio
- Deterioration in debt protection metrics and Total debt/GCA.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter with long track record**

MIPL was promoted by Mr. Navneet Kumar Agarwal in the year 2006. Mr. Agarwal has around 20 years of experience in the iron and steel industry. He also heads an associate firm, namely, M/s Maharaja, which is in manufacturing of coke for over 15 years. MIPL starts operation from 2006, thus having about two decades of operational track record. Over the years of its operation, the company has shown steady growth in trading of coke, in the eastern region. Currently, Mr. Agarwal (Director) is at the helm of affairs of the company.

- **Commencement of repairing of LPG Cylinders and HR sheet cutting**

The company has received licence for repairing of LPG cylinders. This would lead to higher revenues. Government of India (GOI) has come up with a policy, where LPG cylinders needs to be repaired and tested every 5 years, and a cylinder can go through the process of repairing just once, which increases the potential market for MIPL. This apart, during FY21, the company has started cutting and moulding of HR sheet sheets in various shapes and uses for third party. The cutting and moulding are in the form of GP Sheets, GP Shutter, MS Pipe Ring, MS Shutter, ERW Pipe/Tube, GP Shutter guide, MS Shutter guide etc.

- **Strategic location of plant**

The manufacturing facility of MIPL is located in Durgapur, West Bengal, within close vicinity from the top two bottling plants in the eastern region namely Hindustan Petroleum and Indian Oil bottling plants, which will help them save cost in the long run. Further, the plant is very well connected with other nearby places through roadways. Also, the company is planning to expand its facility by little moderations to its plants through which they can manufacture valves which they are procuring from third party currently. Further, MIPL has also received the licence for repairing of gas cylinders which has a potential market which would benefit the company in long run as margins are higher in the repairing segment.

- **Moderate scale of operations with adequate profitability**

The company has registered a CAGR of ~44% with a y-o-y growth of ~3% in FY23 (refers to period April 1st, 2022, to Mar 31st, 2023) to ~Rs.268 crore. However, the same has moderated by ~6% in FY24 to ~Rs.251 crore on account of lower average realisation due to fall in steel price, the primary raw material, which the company has to pass on in Government supplies. During FY24, EBITDA margin has further declined marginally on account of higher operating cost coupled with lower raw material inventory (HR Coil) maintained by the company which exposes the company to price volatility. PAT margin also declined in line with EBITDA margin during FY24. However the same has managed to earn a cash accrual of ~Rs.4.5 crore in FY24.

- **Comfortable capital structure with adequate debt protection metrics**

The capital structure of MIPL has further improved as on March 31, 2024, marked by improvement in leverage ratios where overall gearing has improved to 0.88x from 1.07x as on March 31, 2023. The same has improved on the back of repayment of term loan along with accretion of profit to reserve. Debt protection parameters of the company continued to remain healthy marked by interest coverage ratio at 2.30x in FY24 and Total debt to EBITDA was moderate at 5.43x as on March 31,2024. Further, total indebtedness of the company marked by TOL/TNW was satisfactory over the years and the same has further improved to 0.94x as on March 31, 2024.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in the prices of raw materials and finished goods**

The price of steel has seen a lot of volatility over the last three years. The price of HR coil, which is one of the main raw materials required for MIPL, has witnessed volatility in the recent past. Similarly, the price realisation for LPG Cylinders are also linked to the input prices, where there could be squeezing of margin when the input cost increase is not fully absorbed in the selling prices.

- **Exposure to geographical concentration risk**

MIPL mainly caters to the state of West Bengal and plans to service the eastern region. Though there are less number of cylinder and lancing tube manufacturer in the country, the company is likely to face lesser demand in the urban markets with introduction of pipeline gas. Hence, the company is exposed to geographical concentration risk. However, the company has begun efforts to strengthen its brand presence and grow its sales in other states.

- **Working capital intensive nature of operation**

The operation of the MIPL is working capital intensive as the company needs to procure its main raw materials i.e. HR Coil and Sheet mostly on advance basis or with minimum credit period and on the other hand has to extend higher credit period to its customers due to high competition in the industry. Besides, it also needs to maintain semi-finished inventory (mainly cylinders) for faster supply to the OMCs. The operating cycle of MIPL slightly elongated to 96 days in FY24 owing to both, elongation of collection period (47 days in FY24 from 40 days in FY23) and high inventory days (57 days in FY24). The company had obtained low credit period to obtain better pricing, reflected in the average creditor days (7 in FY24). The average utilisation of its working capital limit of MIPL, though remained moderate at about 45% during the past 12 months ended on August, 2024.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

MIPL has earned a gross cash accrual of Rs. 4.47 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs.4.91-9.51 crore as against its debt repayment obligations around ~Rs.2.02 crore to Rs.2.10 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained low at ~45% during the past 12 months ended August 2024 indicating a sufficient liquidity cushion.

About the Company

Incorporated in April 25, 2006, Durgapur based Maharaja Ispat Pvt Ltd (MIPL) was promoted by one Mr. Navneet Kumar Agarwal. MIPL, since inception, was engaged in trading of coke and coal. However, they began setting up a manufacturing unit for production of LPG cylinders and lancing tubes in the year 2017. The plant started its operations from January, 2018 as planned. The manufacturing facility of the company is located at Durgapur with an installed capacity of 30,000 MTPA for Lancing Tubes and ~5,12,000 LPG Cylinders per year. MIPL has obtained licence for production of LPG Cylinders from Bureau of Indian Standards in June 2018. Also, MIPL has started repairing of cylinders as another business segment due to the increasing demand. As per regulatory requirements, every cylinder has to be repaired after five years of usage, which would add to the profitability in the coming years also. This apart, the company has installed Cut to Length (CTL) machine for related job work for nearby industries and also initiated a Shutter profile production setup since 2022. Currently, Mr. Navneet Kumar Agarwal (Director), looks after day-to-day affairs of the company along with other director and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	267.91	250.94
EBITDA	9.71	8.57
PAT	3.29	2.37
Total Debt	54.04	46.54
Adjusted Tangible Net Worth	50.60	52.97
EBITDA Margin (%)	3.63	3.41
PAT Margin (%)	1.23	0.94
Adjusted Overall Gearing Ratio (x)	1.07	0.88
Interest Coverage (x)	2.31	2.30

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Aug. 11, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Jul. 08, 2022)	Date(s) & Rating(s) assigned in in 2021-22 (Sept. 07, 2021)
1.	Term loan	Long Term	2.72	IVR BBB-/ Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable
2.	Cash Credit	Long Term	50.00	IVR BBB-/ Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable
3.	GECL	Long Term	0.11	IVR BBB-/ Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable
4.	GECL Extension	Long Term	3.82	IVR BBB-/ Stable	IVR BBB / Stable	IVR BBB / Stable	-
5.	GECF/ CECF	Long Term	-	-	-	Withdrawn	IVR BBB- / Stable
6.	Channel Finance	Long Term	13.60	IVR BBB-/ Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB- / Stable
7.	Bank Guarantee	Short Term	16.00	IVR A3	IVR A3+	IVR A3+	IVR A3

Analytical Contacts:

Name: Sanmoy Lahiri Tel: (033) 4803 3621 Email: s.lahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033) 4803 3621 Email: sandeep.khaitan@infomerics.com

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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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.

For more information and definition of ratings please visit www.infomerics.com.

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 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 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: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	50.00	IVR BBB-/ Stable
GECL	-	-	-	July, 2024	0.11	IVR BBB-/ Stable
Term Loan	-	-	-	Mar 2029	2.72	IVR BBB-/ Stable
GECL Extension	-	-	-	Dec 2026	3.82	IVR BBB-/ Stable
Channel Finance 1	-	-	-	-	10.00	IVR BBB-/ Stable
Channel Finance 2	-	-	-	-	3.60	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	16.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Maharaja-Ispat-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Press Release

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.