



Press Release

Maruti Inox (India) Pvt Ltd

August 21, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	32.00 (Reduced from Rs. 32.52 Crore)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Upgraded	Simple
Short Term bank Facilities	1.90	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Short Term bank Facilities	10.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	43.90	(Rupees Forty-Three Crores and Ninety Lakhs only)			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgrade/assigned the long/Short Term rating to IVR BBB with a Stable outlook & IVR A3+ for the bank loan facilities of Maruti Inox (India) Pvt Ltd .

The ratings upgraded/assigned to the bank facilities of Maruti Inox (India) Pvt Ltd. continue to derive strength from the experienced management team with long track record in the steel industry, improved financial performance in FY23 & FY24 (Refer Period April 01, 2023 – March 31, 2024), comfortable financial risk profile, and favourable demand outlook for the steel industry. However, these ratings strengths are partially constrained due to the working capital-intensive nature of operations, geographical concentration risk, volatility in the prices of raw materials and finished goods, and high competition and cyclical nature in the steel industry.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the Maruti Inox (India) Pvt Ltd business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.



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IVR has principally relied on the standalone Provisional financial results of Maruti Inox (India) Pvt. Ltd up to FY24(P) (Review Period from April 01, 2023 to March 31, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income above 450 Crore & improvement in operating margin and cash accrual.
- Improvement in working capital management with improvement in liquidity.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis.
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakening the financial risk profile, particularly liquidity.
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x and deterioration in TOL/TNW to over 2.50x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter and management:

The promoters of the company are having an extensive experience of more than 15 years in the steel industry. The promoter has also infused additional capital by way of equity capital in



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FY23 by issuing 1,70,363 shares at the Rate of Rs. 270 Per share including the share premium of Rs. 260 Per share aggregating to Rs. 4.60 Crore.

Increasing Scale of Operations

Total operating Income of the company significantly improved to Rs. 304.15 Crore in FY24(P) against Rs. 129.76 Crore in FY23(A). Further significant growth in topline is mainly on account of increased demand, market stability and increase in trading volumes. With the increase in turnover, EBIDTA has increased from Rs. 7.90 Cr in FY23 to Rs. 15.19 Cr in FY24. However, EBIDTA in terms of percentage has decreased from 6.08% in FY23 to 4.99% in FY24 mainly due to increased trading sales. However, the profitability margins marginally improved to 2.50% as on March 24 against 2.47% as on March 23.

Moderate Capital Structure and Debt Protection Metrics

The company has a comfortable capital structure on account of adjusted tangible net worth of Rs. 42.87 crore as on March 31, 2024 (after considering the unsecured loan of Rs. 19.00 Crore as an quasi equity) (Rs 16.24 crore as on March 31, 2023). The adjusted overall gearing remains comfortable and stood at 0.76x in FY24 against 1.81x in FY23. Interest coverage stood comfortable at 2.70 times in FY2024.

Key Rating Weaknesses

Fragmented industry leading to intense competition

The company faces stiff competition from other numerous large and small players which limits the pricing flexibility of the industry participants and consequently exerts pressure on margins. The metal industry is cyclical in nature and facing slowdown due to excess capacity leading to a downtrend in the prices. However, the demand in metals industry is expected to improve in medium term as various government initiatives taken in infrastructure sector will help to boost this industry.



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Volatility in the Steel prices

The price of steel has seen a lot of volatility over the last three years. The price of scrap steel which is one of the main raw materials required for MIPL and finished goods like SS hex are volatile in nature and hence, MIPL's profitability is susceptible to fluctuation in the prices of its raw material / traded goods/finished goods prices.

Geographical concentration risk

MIPL mainly caters to the state of Gujarat which contributed more than 76.64% to its sales in FY24(P). 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.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the Company remains adequate as cash accruals are expected to remain adequate to meet the repayment obligations. Further, the company had gross cash accruals of INR 8.62 Crore in FY24 against the current maturity of long-term borrowing of Rs. 0.25 Crore in FY24. The overall utilisation of the fund-based limits stood high at 98.67% during the last 12 months ended May 2024. The current ratio stood at 1.38 times as on 31st March 2024. Cash and Cash equivalent amounted to INR 0.91 Crore.

About the Company

Maruti Inox (India) Pvt Ltd (MIPL) specializes in the manufacturing of ingots and re-rolling hot rolled bars in various shapes, including rounds, RCS (Rolled Cornered Square), hexagons, squares, angles, and flats. Incorporated in 2006 and head quartered in Mumbai, Corporate



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office in Ahmedabad and factory at Mehsana, Gujarat, India, the company operates a state-of-the-art manufacturing facility with an annual production capacity of SS Ingots 14,400 tons and 9,600 tons of Stainless-Steel Hex & Square Bright Bar.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	129.76	304.15
EBITDA	7.90	15.19
PAT	3.22	7.62
Total Debt	29.38	32.53
Tangible Net worth*	16.24	23.87
EBITDA Margin (%)	6.08%	4.99%
PAT Margin (%)	2.47%	2.50%
Overall Gearing Ratio (x)	1.81x	2.16x
ISCR (x)	2.15x	2.70x

*as per Infomerics standards

Status of non-cooperation with previous CRA : Not Applicable

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : June 26, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Cash Credit	Long Term	32.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-
2.	Bank Guarantee	Short Term	1.90	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	-	-
3	Letter of credit	Short Term	10.00	IVR A3+ (IVR A Three Plus)	-	-	-



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Name and Contact Details of the Rating Analyst:

Name: Om Prakash Jain

Tel: (011) 45579024

Email: opjain@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 visit www.infomerics.com

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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
Long Term Bank Facilities – Cash Credit			-	32.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Short Term Bank Facilities – Bank Guarantee			-	1.90	IVR A3+ (IVR A Three Plus)
Short Term Bank Facilities – Letter of credit			-	10.00	IVR A3+ (IVR A Three Plus)

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Maruti-Inox-aug24.pdf>

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

Annexure 4: List of companies considered for consolidated/combined analysis: Nil

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.