



Press Release

Maruti Ispat and Energy Private Limited

February 21, 2024

Ratings

Instruments/ Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- CC/WCDL	172	IVR BBB+/stable (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities -Term Loan	98.23	IVR BBB+/stable (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities -GECL	14.94	IVR BBB+/stable (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities-LC	12.00	IVR A2 (IVR A two)	Assigned	Simple
Total	Rs. 297.17 crore (Rupees Two ninety-seven crore and seventeen lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Maruti Ispat and Energy Private Limited (MIEPL) derives strength from regular capex leading to integrated facility, sustained revenue growth and expected improvement in profitability with integrated operations, moderate credit metrics expected to improve with higher profitability, moderate liquidity and stable working capital cycle, established brand name through vast marketing network and long track record and extensive experienced of promoter in the steel industry. The rating is however constrained on account of exposure to cyclicity in iron and steel industry and exposure to fluctuations in raw material prices, fragmented and commoditized market due to intense competition.



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Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability leading to improvement in credit profile with overall gearing falling below 1.5x on a sustained basis.
- Improvement in working capital cycle leading to sustained positive cash flow from operations.

Downward Factors

- Sustained decline in revenue and profitability and/or any unplanned debt led capex and/or any deterioration in working capital cycle leading overall gearing remained above 2.25x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Regular capex leading to integrated facility:**

During FY22-FY24 MIEPL has spent Rs.100 crore on capex on setting up mild steel pipes/tubes plant with capacity of 1,30,000 mt/pa, billet manufacturing plant with capacity of 1,30,000 mt/pa and HR coil strips with capacity of 1,30,000 mt/pa. With these capacity additions, MIEPL became semi-integrated steel player in the industry.

- **Sustained revenue growth and expected improvement in profitability with integrated operations:**

MIEPL's revenue has grown at CAGR of 46% through FY21-FY23 to Rs.899 crore driven by benefits of capex with regular capacity additions. EBITDA margins were in the range of 6.61%-9.7% through FY21-FY23 and further improved to 11.39% for 1HFY24. Infomerics expects MIEPL will be able to achieve EBITDA margins of 11% through FY24-FY26 with benefits of integrated operations.



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- **Moderate credit metrics expected to improve with higher profitability.**

MIEPL has moderate credit metrics with overall gearing stood at 2.16x in FY23 (FY22:1.55x); while TOL/TNW increased in FY23 stood at 2.56x (FY22:2.26x). Credit metrics has increased due to debt led capex undertaken by the company. However, Infomerics expects credit profile to improve from FY24 onwards with benefits of capex through additional revenue and improved EBITDA.

- **Moderate Liquidity and stable working capital cycle:**

The current ratio stood at 1.32x as on FY23 (FY22:1.42x); while quick ratio improves and stood at 0.62x (FY22: 0.47x). The company's working capital remains stable with the net operating cycle of 62 days at the end of FY23 (FY22: 61days). Receivable days have declined as compared to FY21 and remained stable around 24 days in FY22 and FY23.

- **Established brand name through vast marketing network.**

MIEPL has an established presence in Telangana. The company sells its products through its brand i.e "TMT Brands. MS Agarwal Group of companies is renowned for popular TMT Brands including MS LIFE and AF Star. Local TMT dealers and real estate developers are the key clients of the company.

- **Long track record and extensive experienced of promoter in the steel industry**

The company has experienced management led by Mr. Pramod Agarwal and Mr. Gopal Agarwal who has more than two decades of experience in the same line business. The company also has long track record with more than five decades.

Key Rating Weaknesses

- **Exposure to fluctuations in raw material prices**

MIEPL operations remain raw material intensive. MIEPL profitability thus remains vulnerable to the raw material price fluctuations. Further, absence of captive sources of raw materials further exposes it to fluctuations in raw material prices compared to integrated players. Although prices normally reflect changes in the cost of raw materials,



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there may be short-term discrepancies in the prices of raw materials and finished goods, which could cause margins to fluctuate.

- **Fragmented and commoditized market due to intense competition, exposure to cyclical in iron and steel industry**

The steel product manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent high competition, which limit the pricing flexibility of the players. Steel prices are volatile as it depends on global prices and sentiments of the product consuming sectors. The domestic iron and steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including MIEPL.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook | Infomerics Ratings](#)
[Rating Methodology for Manufacturing Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

MIEPL is expected to generate adequate cash accruals to cover the debt obligation during FY24-FY26. The average working capital utilization stood at ~88% during the 12 months ended December 2023. The current ratio stood at 1.3x as on March 31, 2023. The cash balance as of March 31, 2023, remained at Rs 3.51 crore.

About the Company

MIEPL was incorporated in 2007. MIEPL has sponge iron manufacturing capacity of 1,20,000 MT/PA and has set up a waste heat recovery power plant of 8MW that is used for captive consumption. MIEPL set up a billet manufacturing unit with an installed capacity of 1,26,000



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MT/PA in September 2021 and a mild Steel pipes/tubes manufacturing unit with an installed capacity of 1,40,000MT/PA in September 2022.

Financials (Standalone)*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	561.22	898.97
EBITDA	37.10	76.68
PAT	7.65	20.28
Total Debt	149.40	251.82
Tangible Net worth	96.08	116.37
EBITDA Margin (%)	6.61	8.53
PAT Margin (%)	1.36	2.25
Overall Gearing Ratio (times)	1.55	2.16

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years: None

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).



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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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 – Fund Based – Term loan					
Term loan 1- SMS	-	-	October-2029	11.6	IVR BBB +/-stable
Term loan 2-Sponge	-	-	April-2027	16.93	IVR BBB +/-stable
Term loan 3- Scrap Unit	-	-	January-2029	13.23	IVR BBB +/-stable
Term loan 4- - Sponge	-	-	June-2024	0.41	IVR BBB +/-stable
Term loan 5- - Power	-	-	June-2026	4.72	IVR BBB +/-stable
Term loan 6- Power	-	-	October-2025	2.47	IVR BBB +/-stable
Term loan 7- Strip Mill	-	-	April-2027	7.83	IVR BBB +/-stable



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 8-Power	-	-	December-2025	5.84	IVR BBB +/-stable
Term Loan 9	-	-	December-2028	35.2	IVR BBB +/-stable
Long Term – Fund Based – GECL – I	–	–	June-2025	3.1	IVR BBB +/-stable
	-	-	February-2026	1.31	
Long Term – Fund Based – GECL – II			October-2027	4.1	IVR BBB +/-stable
	-	-	January-2028	6.43	IVR BBB +/-stable
Long Term – Fund Based – Cash Credit	-	-	–	172	IVR BBB +/-stable
Short Term – Non-Fund Based – Letter of Credit	-	-	–	12	IVR A2

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Maruti-Ispat-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.