Madhur Iron & Steel (India) Limited

(Erstwhile Madhur Iron & Steel (India) Private Limited)

March 10, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	16.71	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Rating Upgraded	Simple
Short Term Bank Facilities	30.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Rating Upgraded	Simple
Total	**46.71 (Rupees forty-six crore and seventy-one lakhs 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 upgrade in the ratings assigned to the bank facilities of Madhur Iron & Steel (India) Limited (MISIL) considers improvement in its business performance marked by growth in its operating income and profitability in FY24 [FY refers to the period from April 01 to March 31] and subsequently in 9MFY25 coupled with improvement in capital structure with satisfactory debt coverage indicators. The ratings also continue to derive comfort from its experienced promoters and reputed clientele with moderate order book position. However, these rating strengths continues to remain constrained due to susceptibility of profitability to fluctuation in raw material prices, exposure to cyclicality in the steel industry and working capital intensive nature of its operations.

The stable outlook reflects that the company will benefit from the extensive experience of its promoters in the manufacturing of steel products and structural components.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.

- Sustenance of the capital structure with improvement in overall gearing ratio on a sustained basis

Downward Factors

- Decline in revenue and profitability leading to deterioration in gross cash accruals and debt protection metrics on a sustained basis. 2
- Moderation in overall gearing ratio to over 2x and/or moderation in interest coverage ratio to below 2x
- Moderation in liquidity position marked by elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The current promoter, Mr. Virendra Kumar Agrawal has more than three decades of experience in the steel industry by virtue of being director of Shri Ashutosh Structures Pvt Ltd. He looks after the manufacturing, planning and financial aspects in the company along with other directors Mr. Jayant Agrawal (Son of Virendra Kumar Agrawal) and Mr Rajesh Modh with adequate support from team of qualified professionals.

Reputed clientele and moderate order book position

The company's major clientele includes Kalpataru Projects International Limited which is major player in domestic T&D sector which contributed ~14% of the total revenue generated by MISIL in FY24. Beside maintaining strong relation with reputed clients, MISIL has an unexecuted order book of Rs.157.76 crore as on February 01, 2025, which is to be executed in next two to three months, thus providing it short term revenue visibility.

Sustained improvement in operating income and profitability in FY24 and in 9MFY25

The total operating income (TOI) has shown an upward trend in the past three years (FY22 – FY24). The TOI has increased from Rs.192.96 crore in FY23 to Rs.239.38 crore in FY24 registering a Y-o-Y growth of ~24%. The growth was due to higher sales volume on the back of improved demand despite decline in realisation for re-rolled steel products. The profitability of the company remained satisfactory and witnessed gradual improvement. EBITDA margin has improved from 6.85% in FY23 to 9.71% in FY24 due to decline in cost of traded goods and consumables. Subsequently, the PAT margin has also improved from 3.24% in FY23 to

5.11% in FY24. In 9MFY25, the company has achieved a revenue of Rs. 235.42 crore with a healthy growth in profitability.

Improvement in capital structure with satisfactory debt coverage indicators

The capital structure of the company continues to remain moderate marked by its moderate leverage ratios. However, the overall gearing ratio has improved from 1.74x as on March 31, 2023, to 1.35x as on March 31, 2024 on the back of accretion of profits to reserve and scheduled repayment of dropline OD. The TOL/TNW has also improved from 3.19x as on March 321, 2023, to 2.03x as on March 31, 2024. The debt protection metrices marked by interest coverage remains satisfactory for the past three fiscals. The interest coverage has improved from 4.11x in FY23 to 4.18x in FY24 on the back of rise in absolute EBITDA. Total debt/NCA and Total debt / EBITDA has improved from 4.43 years and 2.61x respectively as on March 31,2023 to 4.25 years and 2.47x respectively as on March 31,2024 with improvement in profit levels and rise in cash accruals. The capital structure of the company is expected to improve in the near term as the company has raised equity amounting to Rs.33 crore during FY25 to support its business operations. Infomerics ratings expects steady improvement in the capital structure of the company with improvement in net worth to more than ~Rs.80 crore in the near term.

Key Rating Weaknesses

Susceptibility of profitability to fluctuation in raw material prices

The price of steel is volatile in nature and the same exposes the company to input price fluctuation risk. Furthermore, the prices and supply of the main raw materials (iron ore, billets and coal) directly impacts the realisations of finished goods. Besides, the steel sector also remains exposed to global steel demand supply scenarios. Hence, the profit margins are susceptible to the volatility in the input prices and the movement in input prices will a remain a key rating monitorable.

Working capital intensive nature of operations

The operation of the company is working capital intensive in nature with operating cycle of 95 days in FY24 as compared to 62 days in FY23. The elongation in working capital cycle is due to higher inventory of 127 days in FY24 as compared to 88 days in FY23. The company has order-based model and as on March 31, 2024, it has finished goods in its books, which has reduced in April 2024 after dispatch of order. The receivable days remains between 3-9 days which supports the liquidity profile of the company.

Exposure to cyclicality in the steel industry

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including MISIL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Furthermore, the key end user industries of steel products are civil construction, real estate and engineering industries, etc.

Analytical Approach: Standalone

Applicable Criteria:

- Criteria of assigning Rating Outlook
- Rating Methodology for Manufacturing Companies.
- Financial Ratios & Interpretation (Non-Financial Sector)
- Policy on Default Recognition
- Criteria on complexity

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term as the company expects to generate adequate cash accruals during FY25 – FY27 to meet its debt obligations. Furthermore, the company is having a comfortable gearing headroom marked by its satisfactory capital structure on the back of equity infusing during FY25. However, the average cash credit utilisation of MISIL remained high at ~90% during the past 12 months ended November 2024 indicating a limited liquidity cushion.

About the Company

Madhur Iron & Steel (India) Limited (Erstwhile Madhur Iron & Steel (India) Private Limited) (MISIL) was incorporated in February 2012. Initially the company was operated by one Mr. Madhur Agarwal & family but in April 2018, MISIL was taken over by one Mr. Virendra Kumar Agrawal. MISIL is engaged into manufacturing & fabrication, re-rolling for all kinds of structural products and is based in Chhattisgarh with an installed capacity of 54000 MTPA. The company has fabrication shop, machine shop, physical & chemical testing Labs. The hot re-rollers of steel are required for Transmission Line Towers, Substation Structures (Lattice & Pipe types) and Railway Electrification (OHE structures/TSS & SPS). MISIL is also involved in trading of all types of steel products.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	192.96	239.38
EBITDA	13.21	23.42
PAT	6.26	12.25
Total Debt	34.47	57.76
Tangible Net Worth	19.77	42.87
EBITDA Margin (%)	6.85	9.79
PAT Margin (%)	3.24	5.11
Overall Gearing Ratio (x)	1.74	1.35
Interest Coverage (x)	4.11	4.18

* *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 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Dec 14, 2023	-	-
1.	Cash Credit	Long Term	15.00	IVR BBB; Stable	IVR BBB-; Stable	-	-
2.	Dropline OD	Long Term	1.70	IVR BBB; Stable	IVR BBB-; Stable	-	-
3.	OD against FD	Long Term	0.01	IVR BBB; Stable	IVR BBB-; Stable	-	-
4.	Bill Discounting	Short Term	20.00	IVR A3+	IVR A3	-	-
5.	Channel Finance	Short Term	5.00	IVR A3+	IVR A3	-	-
6.	Bank Guarantee	Short Term	5.00	IVR A3+	IVR A3	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt Ltd] 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.

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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	-	-	-	-	15.00	IVR BBB; Stable
Dropline OD	-	-	-	-	1.70	IVR BBB; Stable
OD against FD	-	-	-	-	0.01	IVR BBB; Stable
Bill Discounting	-	-	-	-	20.00	IVR A3+
Channel Finance	-	-	-	-	5.00	IVR A3+
Bank Guarantee	-	-	-	-	5.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-madhuriron-mar25.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

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.