

Mahamaya Steel Industries Limited

September 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	42.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	15.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB; Stable / CARE A3+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Mahamaya Steel Industries Limited to monitor the rating(s) vide e-mail communications/letters dated June 27, 2024, July 11, 2024, July 16, 2024, and Sep 02, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Mahamaya Steel Industries Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Mahamaya Steel Industries Limited's bank facilities will now be denoted as **CARE BB+/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Mahamaya Steel Industries Limited is constrained by moderate capacity utilization, cyclicity associated with the steel industry, susceptibility of profitability to the input prices and the exposure to group companies. However, the ratings derive strength from experienced promoters with long track record, strategic location of the plant, lower client concentration and a comfortable financial risk profile.

Detailed description of the key rating drivers

At the time of last rating on July 31, 2023, the following were the rating strengths and weaknesses (updated for the information available from NSE).

Key Weaknesses

Moderate capacity utilization albeit improvement witnessed in FY23

The capacity utilization of the rolling mill and melting shop slightly improved from 44.23% and 48.89% respectively in FY22 to 54.23% and 72.53% in FY23 respectively, owing to increase in demand from the end user, however; it continues to remain moderate. Further the oxygen/nitrogen plant operated at 15.26% capacity in FY23 as compared to 18.85% capacity in FY22.

Exposure to group companies albeit reduced in FY23

The company has exposure to its group companies in the form of investments and loans & advances reduced to Rs 23.51 crore as on March 31, 2023 (accounting for nearly 19.95% of the net worth as on March 31, 2023) as against Rs. 27.70 crore as on March 31, 2022 (accounting for nearly 24.40% of the net worth as on March 31, 2022).

In FY24, exposure to group companies stood at Rs. 17.51 (accounting for nearly 14.26% of the net worth).

Profitability susceptible to volatility in the prices of raw materials

Raw material (sponge iron/scrap) is the major cost driver constituting about 80% of the cost of sales followed by power (~12%) in FY23. The prices of its raw materials are highly volatile in nature and any upward movement in the prices of the raw material without any corresponding movement in the finished goods prices may adversely affect the profitability of the company. Further, lack of captive power arrangements also makes its operations vulnerable to power related issues like shortage, upward revision

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

in prices etc. Presently, the power requirements of the group are met/ sourced by Chhattisgarh State Power Distribution Company Ltd (CSPDCL).

In FY24, raw material costs moderated at similar levels at around 80% of the cost of sales.

Cyclicality associated with the steel industry and intense competition from the unorganized sector

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. It is also characterized by a high degree of fragmentation due to the presence of numerous unorganized players. Further, the low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers.

Key Strengths

Long track record of the company and experienced promoters

MSIL incorporated in 1998 was promoted by Raipur based Mr Ramanand Agarwal who has more than four decades experience in the iron and steel industry. Currently, the day to the affairs of the company is looked after by Mr. Rajesh Agrawal, Managing Director (son of Mr. Ramanand Agrawal) along with the support and guidance from a team of experienced professionals/staffs.

Strategic location of plant

The plant location is strategic in terms of ready availability of raw materials, like sponge iron, steel scrap, power etc. in the state of Chhattisgarh. Proximity of the plant to the source of raw-material/ finished goods results in savings of transportation costs thereby improving profitability. In addition, densely populated area of Raipur ensures the easy availability of skilled labour to the company at economical rates.

Improvement in scale of operations in FY23 albeit low profitability margin

The company registered improvement in operating income with y-o-y growth of 31% in FY23 to Rs 649.78 crore as against Rs 495.33 crore in FY22. The increase in operating income was mainly on account of improvement in demand from the end user industries and higher realization in FY23 as compared to last year. However, the PBILDT margin reduced from 3.12% in FY22 to 2.13% in FY23 due to increase in raw material cost which couldn't be fully passed on. In addition, the company has also adopted the policy of selling products to customers on receipt of advance payments or credit of maximum 4 -5 days from FY23 onwards to reduce bad debt. This has also resulted in decline in PBILDT margin in FY23. As articulated by the management, the company expects to report PBILDT margin in the range of 3.00%-3.50% going forward.

FY24 have also exhibited an improvement in operating income with y-o-y growth of 21% in FY24 to Rs. 783.83 crore as against Rs. 647.78 crores. However, PBILDT margins moderated at similar levels from 2.13% in FY23 to 2.08% in FY24.

Comfortable financial risk profile

Capital structure stood comfortable with overall gearing ratio of 0.45x as on March 31, 2023 as against 0.49x as on March 31, 2022. TD/GCA also remained stable at 3.65x in FY23 as against 3.83x in FY22. In FY24, overall gearing ratio stood at 0.41x.

Reduction in client concentration in FY23

With the increase in scale of operation, the company has reduced its customer concentration in FY23. The 10 customers contributed around 23% of its total sales in FY23 as against 33% of its total sales in FY22.

Analytical approach: Standalone

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

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About the company & industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Mahamaya Steel Industries Limited (MSIL), incorporated in the year 1988 by Mr. Ramanand Agarwal, is a flagship company of the Raipur based Mahamaya Group & it was later reconstituted as a public limited company. It is engaged in the business of manufacturing billets/blooms & structural steel products with annual production capacity of 2,00,000 MT & 2,05,500 MT respectively. Furthermore, the company also has a gas plant with an annual production capacity of 9,00,000 cubic metre (CuM). The company manufactures heavy and light steel structural products such as joists, angles, beams, channels with products sold under the brand name MAHAMAYA.

Mr. Rajesh Agarwal (Managing Director) and along with the support of other directors & experienced professionals looks after the day-to-day operations of the company

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	649.78	783.83	211.03
PBILDT	13.82	16.31	4.02
PAT	4.17	4.79	0.77
Overall gearing (times)	0.45	0.41	NA
Interest coverage (times)	4.31	3.17	3.72

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: ICRA continues to maintain the rating of MSIL under 'Issuer Not Cooperating' category vide press release dated April 26, 2024, on account of not sharing information.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	35.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	15.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Term Loan-Long Term	-	-	-	Nov 2026	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	35.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (31-Jul-23)	1)CARE BBB; Stable (21-Jul-22)	1)CARE BBB-; Stable (06-Dec-21)
2	Term Loan-Long Term	LT	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (31-Jul-23)	1)CARE BBB; Stable (21-Jul-22)	1)CARE BBB-; Stable (06-Dec-21)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	15.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (31-Jul-23)	1)CARE BBB; Stable / CARE A3+ (21-Jul-22)	1)CARE BBB-; Stable / CARE A3 (06-Dec-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Contact us

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About us:

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