

Maheshwar Rolling Mills Private Limited

September 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding ratings of 'CARE BB; Stable' [pronounced as 'Double B; Outlook: Stable'] assigned to one of the long-term bank facilities of Maheshwar Rolling Mills Private Limited (MRMPL). The above action has been taken at the request of MRMPL and 'No Dues Certificate' received from the bank that has extended the facilities rated by CARE Ratings.

CARE Ratings Ltd. has been seeking information from Maheshwar Rolling Mills Pvt. Ltd. to monitor the rating(s) vide e-mail communications/ letters dated April 22, 2024, May 02, 2024, May 14, 2024, and July 31, 2024, 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. The rating on MRMPL's bank facilities will now be denoted as **CARE BB-; Stable; 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 ratings.

The rating has been revised on account of non-availability of requisite information to conduct the review. The rating assigned to the bank facilities of MRMPL continues to be constrained on account of its nascent stage of operations with FY23 being the first full year of operations, highly leveraged capital structure on a low net worth base along with moderate debt coverage indicators, stretched liquidity and its presence in a competitive, cyclical, and fragmented steel industry.

However, MRMPL's rating continues to derive strength from its experienced promoters having strong linkage with dealer network in Madhya Pradesh and its moderate profitability which however is susceptible to raw material price volatility.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters in the steel industry.

Detailed description of the key rating drivers:

At the time of last rating on July 10, 2023, the following were the rating strengths and weaknesses:

Key weaknesses

Nascent stage of operations with FY23 being the first full year of operations

MRMPL was incorporated in Sept. 2018 for setting up a rolling mill for manufacturing of thermo-mechanically treated (TMT) bars at Morena, Madhya Pradesh. The rolling mill has integrated operations with in-house manufacturing of billet, raw material for TMT bars and commenced manufacturing operations in March 2022. FY23 was the first full year of operations for the company and MRMPL achieved total operating income (TOI) of Rs. 161 crores during the period, as per FY23 provisional results.

Highly leveraged capital structure on a low net worth base and moderate debt coverage indicators

The project for setting up rolling mill was concluded in FY22 with some minor machine additions done in FY23. The total cost of the project was ~Rs.37 crore which was funded through equity of Rs.6 crore, term loan of Rs.20 crore and balance from unsecured loans. Due to recently completed debt funded project, MRMPL had a leveraged capital structure with overall gearing of 4.05x on a low net worth base of Rs. 8.09 crores as on FY23 end.

Debt coverage indicators stood moderate with PBILDT interest coverage of 2.12x and total debt/ GCA of 7.64x in FY23.

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

Presence in a highly competitive, cyclical, and fragmented steel industry

TMT bars are used in various industries with construction and infrastructure industry being the largest demand segment. Thus, demand for TMT bars is largely linked to the demand in the construction and infrastructure (mainly real estate) segment which closely follows the macroeconomic cycle and thus is cyclical in nature. Further, there are many small and unorganized players in the TMT bars manufacturing industry. Thus, due to low value addition, presence in the lower segment of the value chain and fragmented nature of industry, the profitability of players engaged in manufacturing of TMT bars is inherently thin.

Key Strengths

Experienced promoters

MRMPL is promoted by Mr. Abhishek Somani, Mr. Saket Somani, Mr. Pramod Maloo and Mr. Prabhat Jain. All four promoters have more than two decades of industry experience across different industries like steel, jewellery, and real estate. Mr. Abhishek Somani and Mr. Saket Somani have over 20 years of experience in steel trading with established relationship with more than 70 dealers spread across 7 districts of Madhya Pradesh.

Moderate profitability which however is susceptible to volatile raw material prices

The operating profit (PBILDT) margin of the company was moderate at 4.85% in FY23, inherent to limited value addition in TMT bar manufacturing. Sponge iron and scrap are the major raw materials for MRMPL which constituted ~80% of the total cost of sales, thus exposing the company to volatility in prices of these raw materials. Profitability remains susceptible upon the ability of the players to pass on a volatility in raw material prices to its customers amongst high degree of competition.

Liquidity: Stretched

Liquidity of MRMPL is stretched with moderate cash accruals against ballooning term loan repayment, low cash & bank balance, and moderate utilization of working capital limits.

MRMPL has scheduled repayment in the range of 1.50-4.25 crore over the next 3 years (FY24-FY26) against cash accrual of Rs.4.28 crore in FY23. Average utilization of working capital limits was moderate at ~30% over the past twelve months ended May 2023 with FY23 being the first full year of operations. Also, MRMPL had low cash and bank balance of Rs.0.11 crore as on March 31, 2023.

Operating cycle remained moderate at 15 days in FY23. MRMPL typically holds inventory for 7-10 days and offers credit period of up to 10 days to its customers, who are largely steel traders. Furthermore, MRMPL procures majority of its RM requirement on advance or next day payment basis to get rate benefit resulting in a lean operating cycle.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

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

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Gwalior (MP) based MRMPL was incorporated in September 2018 for setting up rolling mill for manufacturing of TMT bars at Banmore, Madhya Pradesh. The company is promoted by Mr. Prabhat Jain, Mr. Pramod Kumar Maloo, Mr. Saket Somani and Mr. Abhishek Somani. FY23 was the first full year of operations for MRMPL and as on March 31, 2023, the facility had installed capacity of 1,02,000 metric tonnes per annum (MTPA) for manufacturing of TMT bars.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	10.73	160.91
PBILDT	2.41	7.80
PAT	0.13	1.97
Overall gearing (times)	9.93	4.05
Interest coverage (times)	1.07	2.12

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	30/11/2029	7.50	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31/03/2029	0.00	Withdrawn
Fund-based - LT-Working capital Term Loan		-	-	31/01/2027	0.00	Withdrawn

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

Annexure-2: Rating history for the 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-Term Loan	LT	-	-	-	1)CARE BB; Stable (10-Jul-23)	-	-
2	Fund-based - LT-Working capital Term Loan	LT	-	-	-	1)CARE BB; Stable (10-Jul-23)	-	-
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Stable (10-Jul-23)	-	-
4	Fund-based - LT-Term Loan	LT	7.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (10-Jul-23)	-	-

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

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

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple

Annexure-5: Lender details

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

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91 22 6754 3404 E-mail: saikat.roy@careedge.in	Anuja Parikh Associate Director CARE Ratings Limited Phone: 079-4026 5616 E-mail: anuja.parikh@careedge.in
	Ojasvi Mohta Analyst CARE Ratings Limited E-mail: ojasvi.mohta@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**