Mahamanav Ispat Private Limited

April 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	132.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Mahamanav Ispat Private Limited (MIPL) takes in to account its moderate scale of operations albeit improvement witnessed in FY24(A) and 10MFY25(UA) and thin profitability margins. The ratings remained tempered on account of its leveraged capital structure and weak debt coverage indicators led by debt funded capex. The ratings also factor in high customer and supplier concentration risk associated with MIPL, its presence in highly fragmented and cyclical steel business.

The rating also takes note of fairly large debt funded ongoing as well as planned capex. Post acquisition of the company under new management in FY21, the company undertook expansion of its sponge iron making capacity in July 2023 and August 2024 by 75 tpd (Tones per day) each. The company is presently implementing two projects, i.e., expansion of its sponge iron capacity by 200 tpd at an estimated cost of Rs.64 crore with a mix of debt of Rs.48 crore and equity of Rs.16 crore, which is likely to get commissioned by May 2025 as 77% of the cost of construction is already complete as on March 22, 2025. The other project involves setting up of solar plant of 7 MW with a total estimated cost of Rs.24.5 crore with 75% debt, to be implemented by latter half of FY26.

Moreover, given the fact that there has been a similar investment in the past, also with large part of investment has already been done for its sponge iron expansion, implementation risk remains low. However, given pricing pressure as a result of continued dumping from Chinese manufacturers, might pose some challenges as far as saleability is concerned. While the solar project although expected to result in substantial savings in power cost, however, is at an initial stage with only land being finalised. The said expansion is expected to result in improving its scale and profitability. Hence, the ability of the company to implement the project in a timely manner without any cost and time over run and accruing benefit as envisaged would remain critical from credit perspective and remain a key monitorable.

The ratings, however, derive strength from experienced promoter, continuous growth in scale of operations, satisfactory capacity utilisation, favourable location of the plant, moderate net worth base as a result of increase in paid-up share capital of Rs.20 crores in FY25 and Rs.5.95 crores increase in non-interest-bearing unsecured loan from promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with Total Operating Income (TOI) over¬Rs.250 crore with PBILDT Margin around¬ 6%.
- Maintaining Overall gearing below 2.50x, ICR >3x and TDGCA less than 5x

Negative factors

- Decrease in scale of operations with TOI below Rs.150.00 crore with PBILDT margin below 3.0% on a sustained basis.
- Overall gearing beyond 5x, ICR <2.0x and operating cycle increasing over 90 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that MIPL will continue to benefit from its long track record of operations with its experienced promoters and established relationships with clients.

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

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure

Its debt profile largely comprises external debt in the form of working capital and term debt. Due to capacity constraints in the facility at Ballari, which was restricting growth, MIPL undertook a debt-funded capex for an additional capacity expansion in the same location. Although this has resulted in deteriorating capital structure, MIPL started deriving benefits from it with increasing production and orders from existing clients. Post acquisition by its present promoter, the company had undertaken capacity expansion in July 2023 and August 2024, taking the total capacity to 300 tpd. The company is currently in process for increasing its sponge iron capacity by 200 tpd, with an estimated capex of Rs.64 crores. Out of the Rs.64 crores MIPL has incurred a capital expenditure of ₹49 crore till MarchFY25. Balance Rs.15 crores will be spilled over to FY26 and is expected to get commissioned by May 2025. The company is also planning solar project in FY26 with an estimated cost of Rs.24.5 crores which will be funded through a mix of debt and equity. The entity's capital structure stood leveraged, as marked by an as marked by an overall gearing of 3.95x as on March 31, 2024 (3.66x as on March 31, 2023), with high reliance on external debt. The total outside liabilities to net worth (TOL/TNW) stood high at 4.67x as on March 31, 2024 (5.04x as on March 31, 2023). The marginal improvement in the capital structure was on account of profit accretion to reserves, repayment of term debt, and infusion of equity by promoters. Debt coverage indicators were strained, with a total debt to GCA (TD/GCA) of 12.12x in FY24 (compared to 9.61x in FY23). It is also to be noted that promoters have infused Rs.20 crore of equity in to the business in FY25, which is expected to provide some support to its highly leveraged capital structure.

Project Risk

The company is presently implementing two projects, Expansion of Sponge Iron Capacity with the estimated cost of Rs.64 crores – an increase of 200 TPD, expected to be commissioned by May 2025. And solar power plant facility with 7MW capacity with an estimated cost of ₹24.5 crore (₹3.5 crore per MW), scheduled for implementation in the latter half of FY26. The project cost is sizable with a total of Rs.88.5 crores(Rs.64 crore for sponge iron+Rs.24.5 crore for solar plant). Hence, given the sizeable investment as compared to its net worth base of Rs.15 crore as on March 31, 2024, the company remains exposed to project-related risks. However, as of March 22, 2025, ₹49 crore has already been invested, with the remaining amount projected to be deployed in FY26, indicating that 77% of construction is complete.

Moreover, given the fact that there has been a similar investment in the past, also with large part of investment has already been done for its sponge iron expansion, implementation risk remain low. However, given pricing pressure as a result of continued dumping from Chinese manufacturers, might pose some challenges as far as saleability is concerned. While the solar project although expected to result in substantial savings in power cost, is at an initial stage with only land being finalised

Highly competitive and cyclical industry

The steel sector is characterized by its cyclical nature, which is intricately linked to economic trends. Major industries that utilize steel like construction, infrastructure, automotive, and capital goods rely heavily on economic conditions, meaning any decline in economic activity can negatively affect their demand for steel. Furthermore, the global supply and demand balance, particularly regarding China, is a significant factor affecting steel prices and output. Consequently, intermediate steel producers are primarily price-takers, this connection makes their cash flows and profitability vulnerable to the volatility of the end-user sector.

Customer & supplier concentration risk

During FY24, the company's top 10 customers accounted for 87.26% of its Total Operating Income (TOI), indicating a highly concentrated customer base. This dependence poses risks such as revenue volatility if any key customer reduces orders or discontinues business. Additionally, the company may face pressure to offer more favourable terms to these major clients, potentially affecting profitability. Expanding the customer base could help mitigate these risks and strengthen financial stability. Similarly, the top 10 suppliers contributed 71.3% of total procurement in FY24, compared to 70.7% in FY23, exposing the company to supplier-driven terms. This concentration could limit the company's bargaining power, emphasizing the need for supplier diversification to enhance procurement flexibility and cost efficiency.

Key strengths

Experienced promoters

MIPL was incorporated in 2006 and the company was acquired by present promoter Mr. T H Suresh Babu (managing director) and Mrs. T H Deepa (director) in 2021, the company primarily sells through commission agents. Mr. T. H. Suresh Babu possesses over a decade of experience in the steel industry, with experience in steel and coal trading. He is a qualified mechanical engineer and plays a key role in overseeing the company's operations. He is supported by Mrs. T. H. Deepa, a graduate with a decade of business experience.

Favourable location of the plant

MIPL's manufacturing facility is strategically located in Ballari, Karnataka, rich in iron ore reserves. The region's abundant iron ore deposits enable the company to procure high-quality raw materials efficiently. Additionally, the plant's proximity to the mining belt significantly reduces transportation costs, enhancing overall cost-effectiveness.

The area is also well-connected to nearby industrial hubs. MIPL operates at the lowest tier of the value chain, specializing in the production of sponge iron. The company supplies its output to units in and around Karnataka that are positioned at the mid-tier of the value chain, engaged in the production of billets, TMT bars, and REBARs through extensive network of roads, railways facilitating seamless logistics through commission agents.

Satisfactory capacity utilisation
MIPL's sponge iron unit operated at a utilization rate of 86% in FY24, which has increase to 94% in 10MFY25 ensuring optimal production efficiency. The operating cycle remained stable at 53 days in FY24, consistent with the previous year. Creditor days decreased to 20 days in FY24 (37 days in FY23), primarily due to a reduction in the lag time for coal deliveries from traders. Similarly, inventory days have also declined to 38 days in FY24 (41 days in FY23), driven faster inventory turnaround. Receivable days also improved significantly, decreasing to 34 days in FY24 (50 days in FY23). This improvement is attributed to a shift in the customer mix, where credit terms vary based on customer preferences. The company typically applies higher pricing for customers requiring extended credit periods, ensuring a balanced approach to revenue and profitability management.

Growing albeit moderate scale of operations with thin margins
In FY24, MIPL reported a total operating income (TOI) of ₹184 crore, a significant growth of 32% from ₹139 crore in FY23. This growth was primarily due to increase in sales quantity because of enhanced production achieved during the year along with sales prices increase during the year to match premium sponge iron with more metal content. The volume of sponge iron sold increased by 51% in FY24. During 10MFY25, MIPL reported a TOI of Rs.192 crore led by improved volumes and likely to achieve a revenue of Rs.230 crore for the full year FY25. With ongoing capacity enhancements, it is projected to drive a 25% revenue growth in FY25, followed by a year-on-year increase of 25% in FY26.
The company's operating profitability remained stable at 4.9% in FY24 (compared to 5.0% in FY23), which remained stable in 10MFY25. However, with the commissioning of Unit III in FY26, overhead costs are anticipated to decline, enhancing overall profitability. Additionally, the company plans to establish a solar power plant by the end of FY26, further improving cost efficiency. Consequently, the company's margins are expected to increase in FY26. CARE Ratings expects the scale to continue to witness stable growth in projected years due to the addition of production capabilities and continued orders from its existing customers.

Liquidity: Stretched
The liquidity remains stretched marked by closely matched GCA with scheduled repayment obligation, leveraged capital structure, strained debt coverage indicators and moderate cash accruals on the back of consistent debt funded capital expenditure and high working capital limit utilisation. As a result of the ongoing debt funded capex, the repayment obligation is expected to increase going forward. The company had a repayment of obligation of Rs.3.79 crore in FY24, Rs.4.77 crore in FY25 and Rs.6.59 crore in FY26. The company reported a GCA of Rs.4.75 crore in FY24 and Rs.3.34 crore in 10MFY25. The promoters are expected to infuse Rs.12 crore of unsecured loan in FY26, the same is expected to help improve the liquidity. The average of maximum utilisation for last 9 months ended December 2024 stood high at 88.89% with near full utilisation during Oct 2024 to Dec 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Iron & Steel

About the company and industry

Industry classification

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

Mahamanav Ispat Private Limited (MIPL) a Ballary based entity, was incorporated in 2006 as a Private Limited Company. The company is in to manufacture of sponge iron. The company has an installed capacity of 225 tpd of sponge iron facility as of March24. MIPL procures its raw material, iron ore, domestically from Karnataka and sells the final product across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	138.93	183.80	192.46
PBILDT	6.94	9.05	8.43
PAT	2.59	2.51	0.99
Overall gearing (times)	3.66	3.95	NA
Interest coverage (times)	2.96	2.61	NA

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	January 31, 2033	72.00	CARE BB-; Stable

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	60.00	CARE BB-; Stable				
2	Fund-based - LT-Term Loan	LT	72.00	CARE BB-; Stable				

LT: Long 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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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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.

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