

Meena Agency Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	26.50	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	3.00	CARE A3	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Meena Agency Limited (MAL) continue to derive strength from the its experience promoters having around four decades of experience of operating in the refractory industry, presence of off-take agreement with strong counter party i.e. TRL Krosaki Refractories Limited (TRL) for supply of entire refractory production and integrated manufacturing facility located in close vicinity of bauxite mines. Ratings further derives strength from comfortable capital structure, moderate debt coverage indicators and adequate liquidity. Ratings also take cognizance of growth in the scale of operation in FY24 (FY refers to the period from April 01 to March 31) and 9MFY25 on back of improvement in sales volume of bricks and calcine bauxite along with improvement in sales realization of calcine bauxite.

The above rating strengths, however, are partially offset by moderate profitability, along with low-capacity utilisation levels, and high customer concentration risk and a risk of lower offtake/ non-renewal of agreement with TRL. Ratings are further constrained by MAL's presence in an intensely competitive and fragmented refractory segment, significant non-current investments in non-core business, susceptibility of profitability to volatile raw material and fuel prices and working capital intensive nature of business. Rating assigned to the long-term bank facility has been withdrawn based on the no dues certificate shared by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume driven growth in its total operating income (TOI) above Rs.200 crore while maintaining profitability at prevailing levels.
- Entering long-term off-take arrangement for additional capacity with strong counterparty entities at favourable terms.

Negative factors

- Non-renewal of off-take arrangement with TRL for supply of reactionaries.
- Decline in its TOI to below Rs.100 crore and profit before interest, lease, depreciation and tax (PBILDT) margin below 8% on a sustained basis.
- Undertaking debt funded capex resulting in deterioration of overall gearing above 1x.
- Any significant investment/advances to companies in unrelated business resulting in deterioration of liquidity cushion.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings expectation that, MAL shall be able to sustain its credit risk profile in medium term supported by its established experience of promoter in the refractory industry and low counter party credit risk with presence of an off-take agreement with TRL for the supply of entire refractory production.

Detailed description of key rating drivers:

Key strengths

Experienced promoters along with an established track record of operations in refractory industry

Promoted by Mr. Pankaj shah, MAL commenced operations as a partnership concern in 1981 and later in year 1993 it was converted into a closely held public limited company. MAL has an operational track record of nearly four decades for manufacturing of high-grade calcined bauxite and related refractory materials. Mr. Pankaj Shah has an experience of more than four decades in the refractory industry and is supported by his brothers Mr. Yogesh Shah and Mr. Mayur Shah.

Reputed clientele with low counterparty credit risk, albeit high customer concentration

MAL has an off-take arrangement with TRL since past 17 years (which is renewed every year) for purchase of entire refractories production. MAL is the exclusive supplier of TRL for high-grade calcine bauxite refractory products. TRL is the one of the largest manufacturers of refractory products in India. As per the agreement, TRL supervises the operations and purchase the entire

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

production of its Samakhya plant (MAL's refractory division). Apart from supplying refractory products to TRL, MAL also sells high grade calcine bauxite in the open market, mainly to Calderys India Refractories Ltd and other reputed players. Revenue from TRL and Calderys accounted for ~91% (FY23: 77%) and 3% (FY23: 11%) respectively of MAL's total revenue in FY24. Even though the client concentration remains high among top five customers, accounting for around 97-99% of the total sales in FY24, the counterparty credit risk remains low.

Integrated manufacturing facilities along with operating wind power generation plant for captive use

MAL has a fully integrated manufacturing plant located at Samakhya, Gujarat with a manufacturing capacity of 72,000 MTPA of calcine bauxite; 54,000 MTPA of mortars and 36,000 MTPA of refractory bricks. It also operates another plant at Samor, Gujarat with an installed capacity of 36,000 MTPA of calcine bauxite. Proximity of manufacturing facility to bauxite mines reduces transportation cost for raw materials and ensures easy availability of bauxite from private mine owners. MAL also operates wind-based power plant of 3 MW which is mainly used for captive consumption.

Comfortable capital structure and moderate debt coverage indicators

MAL's capital structure remained comfortable marked by below unity overall gearing of 0.66x as on FY24 end (0.67x as on FY23 end), As on March 31, 2024 the total of MAL stood at Rs. 57 crore (FY23: Rs. 56 crore) which majorly constituted working capital borrowing of Rs. 25 crore (FY23 : Rs. 26 crore) and Unsecured loans of Rs. 16 crore (FY23; Rs. 10 crore). Debt coverage indicators remained moderate marked by PBILDT interest coverage of 3.31x in FY24 (3.98x in FY23) and total debt to gross cash accruals (TDGCA) of 5.16x in FY24 (6.01x in FY23).

Key weaknesses

Growing albeit moderate scale of operations and moderate profitability

During FY24 MAL's capacity utilisation continued to remain low at around 12% for calcine bauxite (FY23: 21%), 28% (FY23: 20%) for bricks and 29% (FY23: 29%) for mortar. TOI grew by ~26% on a y-o-y basis Rs. 111 crore (FY23: Rs. 88 crore) in FY24 on back of improvement in sale volume of bricks and calcine bauxite and improvement in sales realization of calcine bauxite. Sales momentum continued with MAL reported TOI of Rs. 116 crore till Feb 13, 2025.

During FY24, PBILDT margin of MAL moderated by 507 bps to 10% as against 15.07% in FY23. Moderation in the PBILDT margin was due to increase in cost of raw materials. However, historically, MAL has operated on moderate profitability with PBILDT margin in the range of 10-12%. Subsequent to decline in the PBILDT margin, profit after tax (PAT) margin also declined from 5.10% in FY23 to 2.70% in FY24. GCA remained moderate at Rs. 11.03 for FY24 (FY23: Rs. 9.33 crore).

Significant investments and advances towards non-core assets

MAL has significant investment in non-core assets in the form of loans and advances (L&A) extended to various external entities, some of which are engaged in unrelated business. Total L&A extended stood at Rs.14.98 crore as on March 31, 2024 as against Rs.14.84 crore as on March 31, 2023. Any further significant addition to the L&A extended and timely recovery of the advances would be a key rating monitorable. Adjusted overall gearing (net-worth adjusted for the L&A) remained comfortable at 0.79x as on March 31, 2024 (0.81x as on March 31, 2023).

Working capital intensive nature of operations and susceptibility of profitability to volatile raw material and fuel prices

MAL's business is working capital intensive owing to the requirement of maintaining high inventory of raw bauxite and calcine bauxite due to the seasonality associated with mining operations. Although improved however MAL's operating cycle and gross current asset days remained elongated at 247 days and 423 days respectively in FY24 (274 days and 475 days respectively in FY23) owing to higher inventory holding period. Further, prices of major raw material i.e. raw bauxite and fuel (furnace oil) constitute around 50-60% of total cost of sales of MAL. Considering MAL maintains sizeable inventory levels and prices of both are market driven, sharp fluctuations in its prices may exert pressure on profitability of the company. However, the provision for revision in selling price as per the agreement with TRL, in case of significant fluctuations in input prices, mitigates the risk to a certain extent.

Risk of lower off-take and non-renewal of contract with TRL and presence in fragmented and competitive refractory industry

As no minimum off-take quantity is agreed upon, MAL remains exposed to the risk of lower off-take from TRL. Furthermore, the off-take agreement with TRL is renewed every year and can be terminated by either party by giving a 90 days' notice. Considering, TRL is the largest customer, MAL is exposed to the risk of non-renewal of the agreement. However, strong track record of timely renewal of contract with TRL during last 18 years mitigates the risk to a certain extent.

The Indian Refractory industry is highly fragmented with more than 150 players. The industry also faces intense competition from cheap refractory products dumped from China. Furthermore, considering 75% of total refractory demand is from steel and cement industry, which is cyclical in nature any negative impact on this industry may have negative repercussions for MAL.

Liquidity: Adequate

MAL's liquidity remained adequate marked by sufficient cushion available in form of GCA of Rs. 11-16 crore for FY25-FY27 vis-à-vis long-term debt obligations of Rs. 1.5-4.5 crore during the same period. Furthermore, MAL had an investment of around Rs. 7.30 crore as on FY24 end (Rs.12.30 crore as on FY23) in equity shares of listed entities, which provides adequate cushion in case of any exigencies. As on March 31, 2024, MAL has low free cash and bank balances of Rs.0.25 crore (Rs. 0.14 crore as on March 31, 2023).

Current ratio and quick ratio remained comfortable at 1.36x and 0.54x respectively as on FY24 end (0.31x and 0.39x as on FY23 end). The average month end utilisation of sanctioned fund-based working capital borrowings remained high at 90% during trailing 12 months ended on February 2025. Sanctioned fund-based working capital limits have been enhanced by Rs.8 crore in March 2025, which shall provide adequate cushion considering envisaged growth in the scale of operation.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Minerals & Mining	Industrial Minerals

Incorporated in 1993, Meena Agency Limited (MAL) took over the business of the partnership firm i.e. M/s. Meena Agency (operational since 1981). Jamnagar-Gujarat based MAL is promoted by Mr. Pankaj Shah and his family members. MAL currently operates two divisions i.e. rotary Kiln division for manufacturing of calcine bauxite from raw bauxite and refractory division for manufacturing of bricks, mortars & other castables. As on December 31, 2024, MAL had an installed production capacity of 1,08,000 MTPA for calcine bauxite; 54,000 MTPA for mortars and 36,000 MTPA for refractory bricks. MAL also operates a 3 MW wind power plant in Gujarat, which is majorly used for captive consumption.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	February 13, 2025 (UA)
Total operating income	87.78	110.74	116.98
PBILDT	13.23	11.07	15.10
PAT	4.48	3.09	NA
Overall gearing (times)	0.67	0.66	NA
Interest coverage (times)	3.98	3.31	8.16

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/ ST-Cash Credit	-	-	-	-	26.00	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	0.50	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Letter of credit	-	-	-	-	3.00	CARE A3
Term Loan-Long Term	-	-	-	Nov 2025	0.00	Withdrawn

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/ ST-Cash Credit	LT/ST	26.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Mar-24)	1)CARE BBB-; Stable / CARE A3 (25-Jan-23)	1)CARE BBB-; Stable / CARE A3 (09-Nov-21)
2	Term Loan-Long Term	LT	-	-	-	1)CARE BBB-; Stable (07-Mar-24)	1)CARE BBB-; Stable (25-Jan-23)	1)CARE BBB-; Stable (09-Nov-21)
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	-	1)Withdrawn (25-Jan-23)	1)CARE A3 (09-Nov-21)
4	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A3	-	1)CARE A3 (07-Mar-24)	1)CARE A3 (25-Jan-23)	1)CARE A3 (09-Nov-21)
5	Non-fund-based - ST-Forward Contract	ST	-	-	-	-	1)Withdrawn (25-Jan-23)	1)CARE A3 (09-Nov-21)
6	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	-	1)Withdrawn (25-Jan-23)	1)CARE A3 (09-Nov-21)
7	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Mar-24)	1)CARE BBB-; Stable / CARE A3 (25-Jan-23)	-

LT: Long term; ST: Short 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 ⁹⁷⁸⁶	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple
4	Term Loan-Long Term	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.

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About us:

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