OCTOBER 14, 2015

CARE REVISES THE ST RATING AND REAFFIRMS THE LT RATING ASSIGNED TO THE BANK FACILITIES OF MAITHAN ALLOYS LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	55	**CARE A+ (Single A Plus)**	Reaffirmed
Short term Bank Facilities	227	**CARE A1+ (A One Plus)**	Revised from CARE A1 [A One]
Total Facilities	**282 (Rupees Two Hundred and Eighty Two Crore only)**		

Rating Rationale

The revision in short term rating of Maithan Alloys Ltd (MAL) takes into account the comfortable liquidity position of the company. The rating also takes into account the improvement in operational performance and financial risk profile in FY15 along with improvement in performance of its subsidiary; Anjaney Alloys Ltd (AAL), to which it has given corporate guarantee.

The rating further derives comfort from long business experience of the promoters with satisfactory track record, wide geographical presence of the plant, established & reputed clientele and strong presence in the export market. The rating is, however, constrained by high exposure towards group companies, working capital intensive nature of operation, foreign exchange fluctuation risk, profitability susceptible to volatility in raw material prices, and complete dependence of ferro alloy industry on the cyclical steel sector. Ability of the company to optimally utilize its existing facilities, effective management of working capital and financial performance of its subsidiary, AAL are the key rating sensitivities.

Background

Maithan Alloys Limited (MAL), incorporated in 1985, is engaged in the manufacturing of ferro alloys, having an installed capacity of 64 MVA at two location i.e. 49 MVA at Kalyaneshwari, West Bengal and 15 MVA at Ri-Bhoi, Meghalaya. For the West Bengal unit, the company sources power from DVC, while the Meghalaya unit has a captive power plant of 15 MW. It is also engaged in the trading of metal & mineral products and wind power operation. MAL operates 3.75 MW wind turbines at Rajasthan (2.5 MW) and Maharashtra (1.25 MW) backed by power purchase agreements with state discoms. In FY15, revenue from sale of manufacturing operation accounted for 64.6% of total revenues (as against 74.8% in FY14), followed by trading segment at 34.1% (25% in FY14) and wind power at 0.2% (0.2% in FY14).

In FY12-13, MAL installed a 4 x 18 MVA ferro alloy plant based on submerged arc furnace at Visakhapatnam, Andhra Pradesh at a cost of Rs.250.0 crore through its wholly owned subsidiary, Anjaney Alloys Ltd. In May 2015, the Board of directors of MAL has approved the Scheme of Amalgamation of its AAL, with itself w.e.f April 1, 2015. The Scheme is subject to necessary approval from shareholders, regulatory authorities, bankers/lenders and sanction of Hon'ble Calcutta High Court.

In FY15, MAL reported a PAT of Rs.51.5 crore (Rs. 22.98 crore in FY14) on a total operating income of Rs.879.7 crore (Rs. 816.28 crore in FY14). During Q1FY16, MAL reported a PAT of Rs.7.85 crore (as against Rs.13.9 crore in Q1FY15) on total operating income of Rs.187.8 crore (as against Rs.224.68 crore in Q1FY15).

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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