

RATING RATIONALE

28 Feb 2020

Maa Mahamaya Alloys Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 17.17 crores of Maa Mahamaya Alloys Pvt. Ltd. ('MMAPL' or the company)

Particulars

Facilities	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (Jan, 2019)	Rating**
Fund Based	16.71	15.49	Long Term	BWR BB+ <u>Stable</u> Assigned	BWR BB+ <u>Positive</u> Reaffirmed
Non-Fund Based	1.71	1.68	Short Term	BWR A4+ Assigned	BWR A4+ Reaffirmed
Total	18.42	17.17	INR Seventeen Crores and Seventeen Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

BWR has reaffirmed the ratings of Maa Mahamaya Alloys Pvt Ltd as BWR BB+/A4+ with Positive: Outlook. The reaffirmation in the ratings reflect rich experience of the promoters, growing scale of operations, and comfortable financial risk profile. However, the ratings are constrained by low profitability margins, weak liquidity position, exposure to fluctuation in raw material prices, and cyclicity of the steel industry.

The 'positive' outlook indicates a high likelihood of a rating change in the medium term. BWR expects that the entity will continue to benefit from the rich experience of the promoters and its healthy revenue profile.

KEY RATING DRIVERS

Credit Strengths

- **Rich experience of the promoters:** The promoters of the company, Mr. Kailash Nath Agarwal, Mr. Krishna Kumar Singh, and Mr. Bhupendra Kumar Agarwal carry rich experience of over one and half decade in the line of business which benefits the company to sail through all the phases

of the business cycle.

- **Growing scale of operations:** The company has seen a two-fold increase in terms of revenue in the last fiscal year, the turnover grew to INR 439.08 crores in FY 2019 as against INR 229.06 crores in FY 2018. The company is sanguine to cross the revenue of INR 600.00 crores in FY 2020 as it has already achieved the revenue of INR 461.02 crores till January 2020 of the current fiscal year.
- **Comfortable financial risk profile:** The healthy tangible net worth [analyzed] of the company at INR 28.25 crores in FY 2019 driven by the inclusion of unsecured loans has helped the company to maintain the low gearing levels marked by Total Debt/TNW [analyzed] and TOL/TNW [analyzed] of 0.76x and 2.40x respectively in FY 2019 as compared with 1.00x and 2.88x respectively in FY 2018. Furthermore, the debt protection metrics are also comfortable marked by DSCR and ISCR of 1.76x and 2.93x respectively in FY 2019 as against 1.27x and 2.19x respectively in FY 2018. It is expected that the financial risk profile may remain on the above-average side in the medium term.

Credit risks

- **Low profitability margins:** Although the revenue is growing exponentially, OPM and NPM have remained low at 1.92% and 0.66% respectively in FY 2019. This is due to higher operating costs as well as the finance costs. The profitability margins may improve but will remain on the lower side in the medium term.
- **Exposure to fluctuation in raw material prices:** Raw material consumption is the single largest cost component for the secondary players in the iron and steel industry. The company purchases it from traders locally. Though, the prices of finished goods broadly move in tandem with input prices, there may be a time lag which exposes the company to raw material price volatility risk.
- **Cyclicality of steel industry:** 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. The highly capital intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. Furthermore, the value addition in steel products like TMT bars is also low resulting in low product differentiation in the market.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of the firm. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the company to achieve the projected turnover, improve the profitability margins, maintain the comfortable level in the financial risk profile, and improvement of the liquidity profile will be the key rating sensitivities.



Negative: Any steep decline in sales and profitability margins and degradation in the overall financial risk and further stretch in liquidity profile.

LIQUIDITY POSITION: Weak

The liquidity profile of the firm is weak driven by modest cash and cash equivalents of INR 2.40 crores in FY 2019, below benchmark current and quick ratio of 1.02x and 0.76x respectively in FY 2019, and almost full utilization of the cash credit limit of INR 15.00 crores. However, the profile tends to improve in the medium term.

COMPANY’S PROFILE

Incorporated in 2004, Maa Mahamaya Alloys is a Varanasi-based private limited company which started commercial operations in 2005 and is engaged in manufacturing of billets and thermo mechanically treated (TMT) bars. The manufacturing facility of the company is located at Chunar, Mirzapur, Uttar Pradesh with an installed capacity of 75600 MTPA for induction furnace and 129600 MTPA for TMT bars as on 31 March 2019. The key promoters of the company are, Mr. Kailash Nath Agarwal, Mr. Krishna Kumar Singh, and Mr. Bhupendra Kumar Agarwal.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Revenue	₹ Crores	439.09	229.06
EBITDA	₹ Crores	8.42	5.22
PAT	₹ Crores	2.89	1.32
Tangible Net Worth [Analyzed]	₹ Crores	28.25	21.91
TOL/TNW [Analyzed]	Times	2.40	2.88
Current Ratio	Times	1.02	0.95

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: CARE BB-/A4 under Issuer Non-Cooperation as on 13 Dec 2018.

RATING HISTORY

Facility	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Jan, 2019	2018	2017
Fund Based	Long Term	15.49	BWR BB+ Positive Reaffirmed	BWR BB+ Stable Assigned	-	-
Non Fund Based	Short Term	1.68	BWR A4+ Reaffirmed	BWR A4+ Assigned	-	-
Total		17.17	INR Seventeen Crores and Seventeen Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Maa Mahamaya Alloys Pvt Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank of Baroda	Cash Credit	15.00	-	15.00
2.		Term Loan (O/s)	0.49*	-	0.49*
3.		Bank Guarantee	-	1.68	1.68
TOTAL					17.17

Total Rupees Seventeen Crores and Seventeen Lakhs Only.

* O/s out of the sanction of INR 5.15 crores

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