

September 28, 2018

1]
The Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range
Kolkata 700 001
Scrip code: 10023915

2]
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
Scrip code: MAITHANALL-EQ

Sub: CARE Ratings

Dear Sir,

We would like to inform that CARE has upgraded the rating for our long term bank facilities to 'CARE AA; Stable' (i.e. Double A; Outlook : Stable) from 'CARE AA-; Stable' (i.e. Double A Minus; Outlook : Stable) and reaffirmed 'CARE A1+' (i.e. A One Plus) rating for our short term bank facilities, vide their letter dated 26th September, 2018.

Copy of said letter as received by us on 27th September, 2018, is enclosed herewith.

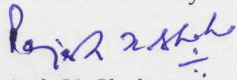
This information is submitted pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and record.

Thanking you,

Yours faithfully,

For Maithan Alloys Limited


Rajesh K. Shah
Company Secretary

Encl: a/a

cc: The Corporate Relationship Department
BSE Limited
Rotunda Building, P.J. Towers
Dalal Street, Fort, Mumbai 400 001
Scrip Code: 590078

No. CARE/KRO/RL/2018-19/1766

Mr. S.C. Agarwalla
Managing Director
Maithan Alloys Ltd
4th Floor, "Ideal Centre"
9, A.J.C. Bose Road
Kolkata-700 017

September 26, 2018

Confidential

Dear Sir,

Credit rating of bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (Audited) and Q1FY19 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long-term Bank Facilities	99.02 (reduced from 130.99)	CARE AA; Stable (Double A; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)
Short-term Bank Facilities	430.00	CARE A1+ (A One Plus)	Reaffirmed
	529.02 (Rupees Five Hundred Twenty Nine Crore and Two Lakh only)		

3. Refer **Annexure 1** for details of rated facilities.
4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible.

AA

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

AE

In any case, if we do not hear from you by September 28, 2018, we will proceed on the basis that you have no comments to offer.

5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
7. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

AM

AM

9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



(Aditi Ajitsaria)
Analyst
aditi.ajitsaria@careratings.com



(Anil More)
Sr. Manager
anil.more@careratings.com

Encl. : As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of rated facilities

1. Long-term Facilities

1.A. Long-term loan

Sr. No.	Name of Bank	Amount Outstanding (Rs. crore)	Debt Repayment Terms
1.	Citi Bank, N.A.	9.02*	Repayable in 3 quarterly installments of varying amounts up to March, 2019

*@Rs.65.00 per USD, outstanding as on June 30, 2018

1.B. Fund-based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Amount	Remarks
1.	State Bank of India	30.0	Sanctioned and tied-up
2.	Axis Bank Ltd	30.0	
3.	IndusInd Bank	18.0	
4.	ICICI Bank Ltd	12.0	
	Total	90.0	

Total Long-term facilities (1.A.+1.B.) = Rs.99.02 crore

2. Short-term Facilities

2.A. Non Fund-Based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Non Fund Based Limits			Total
		Bank Guarantee	Letter of Credit	Forward Contract	
1.	State Bank of India	15.0	160.0	-	175.0
2.	Axis Bank Ltd	10.0	120.0	-	130.0
3.	Citi Bank	-	49.0	-	49.0
4.	IndusInd Bank	5.0	43.0	-	48.0
5.	ICICI Bank	-	28.0	-	28.0
	Total	30.0	400.0	-	430.0

Total Short-term facilities (2.A.) = Rs.430.0 crore

Total Facilities (1 + 2): Rs.529.02 crore

A.J.

AJ

Annexure -2
Maithan Alloys Ltd

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	99.02 (reduced from 130.99)	CARE AA; Stable (Double A; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)
Short-term Bank Facilities	430.00	CARE A1+ (A One Plus)	Reaffirmed
	529.02 (Rupees Five Hundred Twenty Nine Crore and Two Lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the long-term bank facilities of Maithan Alloys Limited (MAL) takes into account the improvement in the financial risk profile of the company marked by improved profit levels, capital structure and liquidity position in FY18 & Q1FY19.

The ratings continue to draw strength from the experienced promoters with established presence of the company in ferro alloy industry, presence of manufacturing facilities across diverse locations in India, established and reputed clientele, strong presence in the export market and high capacity utilisation.

Promoters of MAL have also articulated the policy of overall leverage of MAL, that in future at all times, it shall not exceed 0.50 times. Considering the nature of business where cyclicity is inherent, management recognises that maintaining low financial risk and strong operating efficiencies is extremely crucial from credit profile perspective. The upgrade in rating factors in this enunciation centrally in the analysis.

The ratings are, however, constrained by susceptibility of profitability to volatile input and finished goods prices, lack of backward integration, foreign exchange fluctuation risk, working capital intensive nature of operation and dependence of ferro alloy industry on cyclical steel industry.

The ability of the company to improve its scale of operation while maintaining healthy liquidity and profitability margin as envisaged and adherence to the leverage policy as mentioned above are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and established presence in the ferro alloy industry

Mr. S. C. Agarwalla, the current promoters has an experience of around three decades in the ferro alloy industry. The day-to-day operations of the company are looked after by Mr. S. C. Agarwalla with support from his two sons Mr. Subodh Agarwalla (CEO) & Mr. Sudhanshu Agarwalla (CFO).

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Presence of manufacturing facilities across diverse locations in India

The company's manufacturing facilities are present in West Bengal, Meghalaya and Andhra Pradesh, providing access to both domestic and international market at competitive price, due to optimization of freight costs.

Established & reputed clientele along with strong presence in the export market

MAL's top 10 customers account for around 70% of net sales during FY17-FY18. Furthermore, MAL is getting repeat orders from its clients due to established relationship with them for a long period. MAL has strong presence in export market, with export increasing from Rs.660 crore in FY17 to Rs.1020 crore in FY18, representing around 55% of total operating income in FY18.

High capacity utilization

The capacity utilization of MAL improved from 90% in FY17 to 96% in FY18 mainly due to increased sale in the export markets.

Significant improvement in financial and operational performance of the company in FY18

The financial performance of MAL has improved significantly in FY18. Total operating income grew by 39.74% y-o-y in FY18 which was mainly driven by the increase in realization and sales volume of ferro manganese. Although the PBILDT margin, remained at similar levels, higher sales, supported by higher export incentives in the back of increased exports, led to a significant increase in absolute PBILDT which grew at 34% to Rs.364 crore in FY18. The company earned GCA of Rs.306 crore in FY18 vis-à-vis GCA of Rs.218 crore in FY17. MAL has principal debt repayment of Rs.44.05 crore during FY19. In Q1FY19, MAL reported a PAT of Rs.59 crore on an operating income of Rs.445 crore.

Comfortable capital structure and debt coverage indicators and significantly improved liquidity profile

MAL's overall gearing ratio improved from 0.22x as on Mar 31, 2017 to 0.19x as on Mar 31, 2018 owing to accretion of healthy profit to reserves. Total debt/GCA improved significantly from 0.59x as on March 31, 2017 to 0.53x as on March 31, 2018. The cash and bank balance (including liquid investments) improved from Rs.143 crore as on March 31, 2017 to Rs.366 crore as on March 31, 2018 which further improved to around Rs.500 crore as on September 24, 2018. In addition, the low fund based utilization of MAL also supports its liquidity.

Promoters of MAL have also articulated the policy of overall leverage of MAL, that in future at all times, it shall not exceed 0.50 times. Considering the nature of business where cyclicity is inherent, management recognises that maintaining low financial risk and strong operating efficiencies is extremely crucial from credit profile perspective. The upgrade in rating factors in this enunciation centrally in the analysis.

A.M.

AL

Key Rating Weaknesses

Susceptibility of profitability to volatile input and finished goods price

The raw material (manganese ore, coal and coke) is the largest component of cost of sales of ferro alloys, accounting for 56%, followed by power. Given that the price of raw material and finished goods are highly volatile, MAL's profitability is susceptible to fluctuation in prices of the same.

Lack of backward integration

Raw material consumption and power are the major cost components for ferro alloy industry. MAL doesn't have backward integration for its major raw material exposing it to availability and price risk. However, MAL has captive power plant (15 MW) in only one of its units i.e. in Meghalaya and it sources power from Damodar Valley Corporation for its unit in WB and Andhra Pradesh Eastern Power Distribution Company Ltd for its AP unit. Hence, the profitability is also susceptible to any future tariff hike by these utilities.

Foreign exchange fluctuation risk

MAL imports around 90% of its manganese ore requirement. Due to presence in export market, on an overall basis, MAL is a net exporter of ferro alloys. However, the company is exposed to foreign exchange risk due to timing difference between foreign currency receivables and payables.

Working capital intensive nature of operation

MAL's operation is working capital intensive in nature as it has to offer credit period for around 1-2 months to its debtors due to intense competition in the industry and has a policy to maintain inventory for about 2 month. The working capital cycle of the company ranged from 74-84 days in the last three years.

Dependence of ferro alloy industry on cyclical steel industry

Ferro alloy market segment is categorised into alloy steel, carbon steel, stainless steel and others. Stainless steel accounted for over three quarters of the ferro alloy market in 2015, and will witness a significant growth owing to increasing demand in various end user industries. Due to lack of viable alternatives, the future of global ferro alloy market is healthy, expanding at an estimated CAGR of 5.90% during the forecast period of 2017-2025. The prosperity of the building and construction industry in a number of emerging economies is another key driver, wherein development of lightweight and high strength steel grades is expected to open new opportunities. On the other hand, stringent government regulations pertaining to environment and high operational costs are two glaring constraints over the global ferro alloy market. The market for ferro alloys, worldwide, is projected to reach a valuation of US\$188.7 bn by the end of 2025 from US\$112.8 bn in 2016. In 2017, Asian Pacific accounted for 79.5% of the overall demand in the global ferro alloys market, and is expected to exhibit the best CAGR among all regions throughout the forecast period. *Source: Steelmint*

 **Analytical Approach: Standalone**



Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
CARE's methodology for manufacturing companies
Financial ratios – Non-Financial Sector

About the Company

Maithan Alloys Limited (MAL), incorporated in 1985, is engaged in the manufacturing of ferro alloys, having an installed capacity of 136 MVA (i.e. 235,600 MT of ferro Alloys) at three locations i.e. 49 MVA (94,600 MTPA) at Kalyaneshwari, West Bengal, 15 MVA (21,000 MTPA) at Ri-Bhoi, Meghalaya and 72 MVA (4 x 18 MVA; 1,20,000 MTPA) at Visakhapatnam, Andhra Pradesh. The Meghalaya unit has a captive power plant of 15 MW. MAL is also engaged in the trading of metal & mineral products and wind power operation.

The day-to-day operations of the company are looked after by Mr. S. C. Agarwalla with support from his two sons Mr. Subodh Agarwalla & Mr. Sudhanshu Agarwalla.

MAL was originally promoted by Mr. B K Agarwalla of Dhanbad (Jharkhand) and Mr. S C Agarwalla of Asansol (West Bengal). In FY17, the group business was divided between the two promoter families and the promoters' share in MAL was transferred to Mr. S. C. Agarwalla faction.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total income	1333.08	1862.73
PBILDT	271.89	364.29
PAT	185.67	291.75
Overall gearing (times)	0.22	0.19
Interest coverage (times)	22.02	46.58

A: Audited

Status of non-cooperation with previous CRA: NA

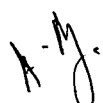
Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Anil More
Tel # 033-4018 1623
Mobile: 8444 867144
Email: anil.more@careratings.com



About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Letter of credit	-	-	-	400.00	CARE A1+
Non-fund-based - ST-Bank Guarantees	-	-	-	30.00	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	90.00	CARE AA; Stable
Fund-based - LT-External Commercial Borrowings	-	-	March 2019	9.02	CARE AA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - ST-Letter of credit	ST	400.00	CARE A1+	-	1)CARE A1+ (16-Feb-18) 2)CARE A1+ (03-Nov-17)	1)CARE A1+ (13-Oct-16)	1)CARE A1+ (14-Oct-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	30.00	CARE A1+	-	1)CARE A1+ (16-Feb-18) 2)CARE A1+ (03-Nov-17)	1)CARE A1+ (13-Oct-16)	1)CARE A1+ (14-Oct-15)
3.	Fund-based - LT-Cash Credit	LT	90.00	CARE AA; Stable	-	1)CARE AA-; Stable (16-Feb-18) 2)CARE A+;	1)CARE A+ (13-Oct-16)	1)CARE A+ (14-Oct-15)

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Limited)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
						Stable (03-Nov-17)		
4.	Fund-based - LT-External Commercial Borrowings	LT	9.02	CARE AA; Stable	-	1)CARE AA-; Stable (16-Feb-18) 2)CARE A+; Stable (03-Nov-17)	1)CARE A+ (13-Oct-16)	-

AMJ