



Maa Tarini Industries Limited

Instrument	Amount	Rating Action
Fund Based Limit – Term Loan	Rs. 5.31 cr (Rs. 6.00 cr. earlier)	[ICRA]D downgraded
Fund Based Limit – Cash Credit	Rs. 6.00 cr (Rs. 8.00 cr. earlier)	[ICRA]D downgraded

ICRA has revised downward the long term rating assigned to the Rs. 5.31 crore* (reduced from Rs. 6.00 crore earlier) term loan and Rs. 6.00 crore (reduced from Rs. 8.00 crore earlier) cash credit facilities of Maa Tarini Industries Limited (MTIL)[†] from [ICRA]BB (pronounced ICRA double B) to [ICRA]D (pronounced ICRA D).

The revision in the rating factors in the company's recent delay in servicing of its debt obligations and deterioration in its financial profile, as reflected by the decline in profitability and coverage indicators post 2009-10. The rating also takes into account the inherent vulnerability of MTIL to the cyclical nature of the steel industry that is currently passing through a difficult phase, which is likely to adversely impact the margins and cash flows of the company. Such risk is further accentuated by MTIL's small scale of operations, modest capacity utilization levels and limited value addition in the existing stand-alone sponge iron facility. The rating, however, takes into consideration the track record of MTIL's promoters in the steel industry, the unit's proximity to raw material sources, the company's conservative capital structure and increase in its operating income in the recent years primarily led by capacity expansion.

Company Profile

MTIL was incorporated in August, 2000 and started commercial production in August, 2001. It has sponge iron and ingot manufacturing facilities of 48,000 TPA and 21,000 TPA respectively in the Sundargarh district of Orissa. MTIL is currently engaged only in the production of sponge iron. The ingot manufacturing facility had been given on lease to a third party since January 2008. However, the lease agreement for the same expired few months back, and has not been renewed since then.

Recent Results

During 2010-11, MTIL reported a net profit of Rs. 0.42 crore on an operating income of Rs. 30.16 crore. During the first six months (April 2011 to September 2011) of 2011-12, the company posted a profit before tax of Rs. 0.14 crore (provisional) on an operating income of Rs. 27.67 crore (provisional).

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* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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