

28 April, 2014

## CARE CONTINUES THE 'CREDIT WATCH' ON RATINGS OF MANAKSIA LTD.

### Ratings

| Facilities                 | Amount (Rs. crore)             | Ratings <sup>1</sup>                            | Remarks                                    |
|----------------------------|--------------------------------|---|--|
| Long term Bank Facilities  | 347.9<br>(reduced from 359.2)  | 'CARE AA' (Double A)<br>(under credit watch)    | Continues to<br>be under<br>'credit watch' |
| Short term Bank Facilities | 433.0<br>(enhanced from 413.0) | 'CARE A1+' (A One Plus)<br>(under credit watch) |  |
| Total Facilities           | 780.9                          |   |  |

### Rating Rationale

The ratings of Manaksia Ltd (ML) take into account the experience of the promoters with satisfactory and long track record, multi locational manufacturing facilities, diversified lines of business & end users with reputed clientele, strong presence in the overseas market, improved financial performance in FY13 (refers to the period April 01 to March 31) & 9MFY14 and comfortable capital structure. The ratings are, however, constrained by foreign exchange fluctuation risks, susceptibility to volatile raw-material & finished goods prices and growing business concentration in Nigeria.

The ratings continue to be under 'credit watch' in view of pending approval from various stakeholders and statutory authorities for the proposed demerger of ML into four business verticals. CARE will continue to monitor the developments in this regard and will take a view on the ratings of ML once the necessary approvals are received and the implications of the restructuring plan on the overall credit profile of ML is clear.

### Background

ML, promoted by Kolkata-based Mr B.K. Agrawal, is engaged in manufacturing of metal products, mosquito coils, metal closure packaging & engineering goods (for in-house requirements only) through its 17 manufacturing locations across the country. The company manufactures value added metal products & operates a paper mill in Nigeria, and manufactures steel roofing sheets in Ghana through its subsidiaries.

### Proposed demerger of ML's business verticals

At its meeting held on December 27, 2012, ML's Board of Directors approved the restructuring plan of ML, wherein the following business verticals of ML were to be demerged into below mentioned undertakings w.e.f. April 2013, to have dedicated focus on such businesses:

| Business verticals           | Demerged entities                                 |
|------------------------------|---|
| Aluminium                    | Manaksia Aluminium Company Ltd. (MALCO)           |
| Steel                        | Manaksia Steels Ltd. (MAST)                       |
| Packaging                    | Manaksia Industries Ltd. (MAIL)                   |
| Coated metal & mosquito coil | Manaksia Coated Metals & Industries Ltd. (MACMIL) |

On May 30, 2013, the appointed date of demerger was changed from April 1, 2013 to October 1, 2013. ML has obtained the approval from shareholders for the demerger Scheme in January 2014. The company is now awaiting approval from Hon'ble High Court, which is expected to be received by September 2014.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

ML earned PAT (after defd. tax) of Rs.27.5 crore on total income of Rs.1,226.5 crore in FY13. During 9MFY14, ML earned a PAT (after defd. tax) of Rs.32.7 crore on total income of Rs.901 crore.

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