

MAY 13, 2016

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF MANAKSIA STEELS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	50	CARE A (Single A)	Revised from CARE A+ (Single A Plus)
Short Term Bank Facilities	181	CARE A1 (A One)	Revised from CARE A1+ (A One Plus)
Total Facilities	231 (Rs. Two hundred and thirty one crore only)		
Commercial Paper - Standalone*	30 (Rs. Thirty crore only)	CARE A1 (A One)	Revised from CARE A1+ (A One Plus)

*The aggregate of outstanding CP and other working capital borrowings shall be within the sanctioned fund-based working capital limits with banks.

Rating Rationale

The revision in the ratings assigned to Manaksia Steels Ltd (MSL) takes into account the decline in scale of operations in 9MFY16 (refers to the period April 1 to December 31) due to sharp decline in exports to Nigeria on the back of anti-dumping duty imposed by Nigerian government on cold rolled (CR) products. The ratings, however, continue to draw strength from the experience of the promoters, relatively stable financial performance in 9MFY16, satisfactory capital structure along with comfortable liquidity position and strong financial profile of its major customer MINL Ltd. (MINL), Nigeria a wholly owned subsidiary of Manaksia Ltd (ML). The above strengths are partially offset by exposure to volatility in prices of raw materials, foreign exchange fluctuation risk and working capital intensive nature of operations. Ability to diversify client base, improve profitability and efficient management of working capital would remain the key rating sensitivities.

Background

Manaksia Steels Ltd. (MSL) was incorporated on June 07, 2001. It was a dormant company till October 01, 2013 before the transfer of steel division of ML, as per the scheme of demerger. MSL manufactures and sells value added steel products comprising of Cold rolled sheets, Galvanized Corrugated Sheets, Galvanized Plain Sheets, Pre-painted color coated steel coils & sheets. The company has a 1,20,000 MTPA Steel Cold Rolling and 60,000 MTPA galvanizing plant at Haldia and 30,000 MTPA continuous galvanizing plant at Bankura. The company also has common facilities for further value addition of steel where galvanized steel sheets are pre-painted/colour coated in a 48,000 MTPA colour coating line. In FY15, MSL reported PAT of Rs.8.18 crore (Rs.10.52 crore in FY14) on operating income of Rs.329.28 crore (Rs.212.51 crore in FY14). As per the unaudited working results for the nine months ended December 31, 2015, MSL reported PAT of Rs.5.15 crore on total income of Rs.212.27 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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