

December 31, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF MANAKSIA STEELS LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	50	CARE A+ (Single A Plus)	Reaffirmed
Short Term Bank Facilities	181 (reduced from 196)	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 Plus)	Reaffirmed

*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 ratings assigned to Manaksia Steels Ltd (MSL) continue to draw strength from the experience of the promoters, availability of financial support from Manaksia group, satisfactory overall gearing ratio, moderate profitability, low working capital limit utilisation 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 and finished goods and foreign exchange fluctuation risk. Ability of the company to improve profitability, diversify geographically and sustenance of capital structure would remain the key rating sensitivities.

Background

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. Net assets aggregating Rs.129.97 crore (comprising assets of Rs.306.07 crore and liabilities of Rs.176.10 crore) of ML were transferred to MSL.

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. Both the plants have a strong quality management system with in-house testing facilities and are ISO 9001:2008 certified. 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 half year ended September 30, 2015, MSL reported PAT of Rs.5.13 crore on operating income of Rs.151.92 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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