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

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Issuer Rating	-	**'CARE AA (Is)' [Double A (Issuer rating)] (under credit watch)**	Continues to be under **'credit watch'**
Facilities			
Long term Bank Facilities	**359.2** (enhanced from **250.0**)	**'CARE AA' (Double A) (under credit watch)**	
Short term Bank Facilities	**413.0** (enhanced from **354.0**)	**'CARE A1+' (A One Plus) (under credit watch)**	
Total Facilities	**772.2**		
Instruments			
Short-term Debt (including Commercial Paper) – standalone *	**125.0**	**'CARE A1+' (A One Plus) (under credit watch)**	

** ML has given an undertaking that Cash Credit limit will not be utilised to the extent of STD utilisation*

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) & Q1FY14 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

Manaksia Limited (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, through subsidiary companies manufactures value added metal products and operates a paper mill in Nigeria, and manufactures steel roofing sheets in Ghana.

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	Manaksia Coated Metals & Industries Ltd.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.*

coil	(MACMIL)

Pursuant to the Scheme, shares held by ML in the demerged companies will be cancelled and each of the demerged companies will issue one equity share of face value of Re.1/- each to the shareholders of ML for every share of the face value of Rs.2/- each held by them. All the liabilities pertaining to the business verticals shall be assumed by the respective demerged entities and the investment in subsidiaries is proposed to be retained by ML.

On May 30, 2013, the appointed date of demerger was changed from April 1, 2013 to October 1, 2013. ML has obtained the SEBI approval and has recently filed a document with High Court for its approval. After obtaining the high court approval (which requires taking required approvals, orders and permissions from bankers, shareholders, creditors and legal authorities), the company would file for demerger with SEBI to get the four companies listed on the stock exchange.

ML earned PAT (after defd. tax) of Rs.27.5 crore on total income of Rs.1,226.5 crore in FY13. During Q1FY14, ML earned a PAT (after defd. tax) of Rs.7.3 crore on total income of Rs.279.1 crore.

Analyst Contact
Name: Mamta Muklania
Tel # 033 4018 1600
Email: mamta.khemka@careratings.com

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.

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 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.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra
Managing Director
Mobile : +91-98204 16002
E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President –Bank Loan &
Instrument Rating
Mobile: +91-9819009839
mail: meenal.sikchi@careratings.com

Mr.Ankur Sachdeva
Vice President – Banks & Financial
Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 ⏐Tel: +91-022- 6754 3456 ⏐ E-mail: care@careratings.com ⏐
Fax: +91-022- 6754 3457.

KOLKATA ⏐ **Ms. Priti Agarwal** ⏐ Cell: +91-98319 67110 ⏐ Tel: +91-33- 4018 1600/ 1602 ⏐
E- mail: priti.agarwal@careratings.com ⏐ 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI ⏐ **Mr. V Pradeep Kumar** ⏐ Cell: +91 9840754521 ⏐ Tel: +91-44-2849 7812/2849 0811 ⏐ Fax: +91-44-2849 0876 ⏐ Email: pradeep.kumar@careratings.com ⏐ Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD ⏐ **Mr. Mehul Pandya** ⏐ Cell: +91-98242 56265 ⏐ Tel: +91-79-40265656 ⏐ Fax: +91-79-40265657 ⏐ E-mail:mehul.pandya@careratings.com ⏐ 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI ⏐ **Ms. Swati Agrawal** ⏐ Cell: +91-98117 45677 ⏐ Tel: +91- 11- 2331 8701/ 2371 6199 ⏐
E-mail: swati.agrawal@careratings.com ⏐ 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU ⏐ **Mr. Dinesh Sharma** ⏐ Cell: +91 9900041975⏐ Tel: +91-80-41150445 ⏐41654529
E-mail: dinesh.sharma@careratings.com ⏐ Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD ⏐ **Mr. Saikat Roy** ⏐⏐ Tel: +91-40-40102030 ⏐
E-mail: saikat..roy@careratings.com ⏐ 401, Ashoka Scintilla ⏐ 3-6-520, Himayat Nagar ⏐ Hyderabad - 500 029.

PUNE ⏐ **Mr. Rahul Patni** ⏐ Cell: +91-78754 33355 ⏐ Tel: +91-20- 4000 9000 ⏐
E-mail: rahul.patni@careratings.com ⏐ 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR⏐ **Mr. Rahul Jain** ⏐ Cell: +91-9314921496⏐ Tel: +91-0141-4020213/14 ⏐
E-mail: rahul.jain@careratings.com ⏐304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.