Manaksia Steels Limited
January 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating action
Long Term Bank Facilities	50.00	**CARE A; Stable (Single A; Outlook: Stable)**	**Reaffirmed**
Short Term Bank Facilities	167.50 (reduced from Rs.181.00 crore)	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**217.50 (Rupees Two Hundred Seventeen Crore and Fifty Lakh Only)**		
Commercial Paper - Standalone*	0.00 (reduced from Rs.30.0 crore)	-	**Withdrawn**

Details of facilities in Annexure-1

Detailed Rationale

The ratings assigned to Manaksia Steels Ltd (MSL) takes into account relatively stable financial performance in FY16 (refers to period April 1 to March 31) & H1FY17 and satisfactory capital structure along with comfortable liquidity position. Further, the ratings continue to draw strength from the experienced promoters and strong credit profile of the largest customer (i.e. MINL Ltd). The above strengths are partially offset by high degree of revenue concentration to Nigeria, profitability susceptible to volatility in prices of raw-materials, exposure to foreign exchange fluctuation risk and working capital intensive nature of operations. Going forward, the ability of the company to diversify client base/geographical concentration, improve operating margin and efficient management of working capital would remain the key rating sensitivities.

Detailed description of the key rating drivers

MSL's total operating income declined by 12.1% in FY16 and 6.7% in H1FY17 mainly due to sharp decline in realization. However, the PBILDT of the company was relatively stable at Rs.16.99 crore in FY16 (Rs.15.89 crore in FY15) and Rs.11.63 crore in H1FY17 (Rs.12.44 crore in H1FY16). Furthermore, interest coverage improved from 5.18x in FY15 to 7.33x in FY16 and 5.65x in H1FY17.

The capital structure of the company continued to remain satisfactory with overall gearing at 0.38x as on Mar 31, 2016 (vis-à-vis 0.34x as on Mar 31, 2015) and 0.62x as on Sep 30, 2016 (vis-à-vis 0.71x as on Sep 30, 2015). The liquidity position was also comfortable with average utilization of fund-based working capital limit at ~29.58% during Nov'15 – Oct'16.

The promoters of MSL have more than four decades of experience in steel industry. Nigerian-based group company, MINL Ltd is the largest customer of MSL. The credit profile of MINL Ltd continued to remain strong in CY2015 marked by healthy cash accrual and almost nil reliance on debt. In CY2015, MINL reported PAT of Rs.183.60 crore (as against Rs.125.02 crore in CY2014) on a total income of Rs.887.61 crore (as against Rs.945.14 crore in CY2014).

There is a high degree of revenue concentration of MSL to Nigerian economy, however, the proportion of sale to Nigeria declined from 88% in FY14 to 67% in H1FY17 mainly due to weak Nigerian economy on the back of sharp decline in crude oil prices and higher sales in the domestic market after the introduction of colour coating line in FY15.

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

The profitability of the company is susceptible to volatility in prices of raw materials as it accounts for about 82% of total cost of sales in FY16 and the prices of the same are volatile in nature. The company is also exposed to forex fluctuation risk due to high dependency upon imported raw-material, strong exports revenue and no fixed hedging policy. The company's operations are working capital intensive in nature due to requirement to stock inventories on the back of lead time involved in import of raw-material and provide high credit period to its customers in view of general practise in the industry.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
CARE's methodology for manufacturing companies
Rating methodology- Steel Sector
Financial ratios – Non-Financial Sector

About the Company
Manaksia Steels Ltd. (MSL) was incorporated on June 07, 2001. It was a dormant company till October 01, 2013 before the demerger of steel division of Manaksia Ltd (ML) to MSL. MSL is engaged in manufacturing of cold rolled sheets, galvanized corrugated sheets, galvanized plain sheets, pre-painted color coated steel coils & sheets. The company has a manufacturing capacity of 1,20,000 MTPA steel cold rolling products, 60,000 MTPA galvanizing plant and 48,000 MTPA color coating line at Haldia and 30,000 MTPA galvanizing plant at Bankura. MSL is promoted by Mr. Suresh Agarwal & family

During FY16 the company reported a total operating income of Rs.289.33 crore (as against Rs.329.28 crore in FY15) and a PAT of Rs.4.98 crore (as against profit of Rs.8.18 crore in FY15). Furthermore, the company has achieved a total operating income of Rs.141.72 crore during H1FY17 (as against Rs.151.92 crore in H1FY16).

Status of non-cooperation with previous CRA: "Not Applicable"

Any other information: "Not Applicable"

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit*

Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure 1

Details of Instruments/Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	50.00	CARE A; Stable
Non-Fund Based - ST-BG/LC	-	-	-	167.50	CARE A1

Commercial Paper	-	-	-	0.00	Withdrawn

Annexure 2

Rating History for last three years:-

		Current Ratings			Chronology of Rating history for past three years			
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2016-2017**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	Fund Based - LT-Cash Credit	LT	50.00	CARE A; Stable	1)CARE A (13-05-2016)	1)CARE A+ (31-12-2015) 2)CARE A+ (09-04-2015)	-	-
2.	Non-Fund Based - ST-BG/LC	ST	167.50	CARE A1	1)CARE A1 (13-05-2016)	1)CARE A1+ (31-12-2015) 2)CARE A1+ (09-04-2015)	-	-
3.	Commercial Paper	ST	0.00	Withdrawn	1)CARE A1 (13-05-2016)	1)CARE A1+ (31-12-2015) 2)CARE A1+ (09-04-2015)	-	-

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