Manaksia Steels Limited
September 22, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long Term Bank Facilities	50.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	204.50 (enhanced from Rs.167.50 crore)	CARE A1 (A One)	Reaffirmed
Total	**254.50 (Rs. Two hundred fifty four crore and fifty lakh only)**		
Commercial Paper issue*	**20.00 (Rs. Twenty crore only)**	CARE A1 (A One)	Assigned

*@Details of facilities in Annexure-1; *carved out of the sanctioned working capital limit of the company*

Rating Rationale

The ratings assigned to Manaksia Steels Ltd (MSL) continue to draw strength from the long experience of the promoters in steel industry, improvement in financial performance in FY17 & Q1FY18 (refers to period April 1 to March 31) and satisfactory financial risk profile. The above rating strengths are constrained by geographical concentration risk due to high proportion of revenue coming from Africa, 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

Key Rating Strengths

Experienced promoters: MSL is promoted by Mr. Suresh Kumar Agrawal & family. Mr. Suresh Kumar Agrawal (Chemical Engineer) has an experience of about four decades in steel manufacturing industry. Mr. Varun Agrawal (MD & son of Mr. S. K. Agarwal) looks after the day-to-day affairs of the company along with the support of experienced professionals.

Improvement in financial performance in FY17 & Q1FY18: MSL's operating income grew by 15.52% y-o-y to Rs.334.14 crore in FY17 mainly due to higher trading sales to companies based in Africa. PBILDT margin improved from 5.87% in FY16 to 7.43% in FY17 due to higher profitability on

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

manufacturing sales in the domestic market. However, interest coverage ratio moderated from 7.33x in FY16 to 5.60x in FY17 due to increased reliance of bank borrowings on the back of slow realization of receivables from sales to Africa. MSL reported GCA of Rs.15.13 crore in FY17 as against Rs.11.80 crore in FY16. The current ratio slightly improved from 2.01x as on March 31, 2016 to 2.16x as on March 31, 2017.

In Q1FY18, MSL reported PBILDT of Rs.9.00 crore (as against Rs.4.97 crore in Q1FY17) on total operating income of Rs.119.14 crore (as against Rs.52.53 crore in Q1FY17).

Satisfactory financial risk profile: MSL's capital structure remained comfortable with nil term debt and low reliance on bank borrowings to fund its operations. Overall gearing and total debt/GCA remained relatively stable at 0.40x and 4.33x as on March 31, 2017, respectively. The liquidity position of the company was also comfortable due to low utilization of working capital limit and high cash & liquid investment of Rs.28.50 crore as on March 31, 2017. Average utilization of fund-based working capital limit was 12.2% during Aug 2016 – Jul 2017.

Key Rating Weaknesses

Geographical concentration risk: MSL's sale to Africa increased from 48% of net sales in FY16 to 65% of net sales in FY17. However, the revenue concentration to Africa in relative terms is expected to decline in the future in anticipation of higher sales in the domestic market.

Profitability susceptible to volatility in the prices of raw materials: Given that the raw-material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices.

Exposure to foreign exchange fluctuation risk: MSL imports majority (85% in FY17) of its raw material requirement. MSL also derives a significant proportion of its revenue through exports (71% in FY17). As a result, MSL's foreign currency denominated payables get set off against the foreign currency denominated receivables to a large extent. However, the company is exposed to foreign exchange fluctuation risk due to timing difference between foreign currency receivables and payables. The company has a flexible forex policy and generally partially hedges it forex exposure through forward cover. MSL reported forex loss of Rs.1.84 crore in FY17 as against gain of Rs.0.50 crore in FY16.

Working capital intensive nature of operations: MSL's operation is working capital intensive in nature as it needs to provide certain credit period to its customers in view of general practice in the industry and stock inventories due to lead time involved in import of raw-material. MSL imports raw materials mainly from China, Japan, Hongkong, Singapore, etc at the market rate.

Analytical approach: While assigning the rating, CARE has taken into consideration the standalone operations of Manaksia Steels Ltd.

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 84,000 MTPA cold rolled steel products, 24,000 MTPA galvanizing plant and 24,000 MTPA color coating line at Haldia and 30,000 MTPA galvanizing plant at Bankura. MSL is promoted by Mr. Suresh Kumar Agrawal & family of Kolkata.

Brief Financials (Rs. crore)	FY16(A)	FY17 (A)
Total operating income	289.25	334.14
PBILDT	16.99	24.81
PAT	4.98	8.98
Overall gearing (times)	0.38	0.40
Interest coverage (times)	4.10	3.89

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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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	-	-	-	204.50	CARE A1
Commercial Paper	-	-	-	20.00	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	50.00	CARE A; Stable	-	1)CARE A; Stable (18-Jan-17) 2)CARE A (13-May-16)	1)CARE A+ (31-Dec-15) 2)CARE A+ (09-Apr-15)	-
2.	Non-fund-based - ST-BG/LC	ST	204.50	CARE A1	-	1)CARE A1 (18-Jan-17) 2)CARE A1 (13-May-16)	1)CARE A1+ (31-Dec-15) 2)CARE A1+ (09-Apr-15)	-
3.	Commercial Paper	ST	-	-	-	1)Withdrawn (18-Jan-17) 2)CARE A1 (13-May-16)	1)CARE A1+ (31-Dec-15) 2)CARE A1+ (09-Apr-15)	-
4.	Commercial Paper	ST	20.00	CARE A1	-	-	-	-

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