

July 15, 2015

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit in Foreign Currency	20.00	SMERA BB+/Stable (Assigned)
Foreign Bill Discounting	11.00	SMERA BB+/Stable (Assigned)
Stand by line of credits	05.00	SMERA A4+(Assigned)
Letter of Credit	10.00	SMERA A4+(Assigned)
Bank Guarantee	0.50	SMERA A4+(Assigned)
Derivative FC	2.13	SMERA A4+(Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.48.63 crore bank facilities of Mangal Steel Enterprises Limited (MSEL). The outlook is '**stable**'. The ratings derive comfort from the company's above-average financial risk profile, healthy operating margins, diversified product base and long standing experience of the management. However, the ratings are constrained by the working capital intensive nature of business, exposure to geographic concentration risk and the competitive and fragmented steel industry that the company operates in.

MSEL, incorporated in 1980 is a Kolkata-based company promoted by Mr. B. N Garodia, who possesses over four decades of experience in the steel industry. The company manufactures wide range of fencing and trellising products used in wall fencing, road construction, agriculture among others.

The company's above-average financial risk profile is marked by low gearing of 0.52 times that comprises only short term debt and interest coverage ratio (ICR) of 2.52 times in FY2013-14. Further, the operating margins are healthy ranging around eight per cent. MSEL's strong networth is backed by continuous accretion of profits every year.

MSEL's operations are working capital intensive evidenced by high gross current assets of 437 days and inventory days of 193 as on March 31, 2014. The company primarily caters to the US market exposing itself to geographic concentration risk. MSEL operates in a highly fragmented and competitive steel industry.

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Outlook/Stable

SMERA believes MSEL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if there is improvement in working capital management and higher-than-expected growth in revenues while achieving sustained improvement in profit margins and diversified geographical area. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Company

MSEL, incorporated in 1980 is a Kolkata-based company promoted by Mr. Bishwanath Garodia, Mr. Brij Mohan Dalmia, Mr. Pawan Kumar Jajodia and Ms. Usha Garodia. The company is engaged in the manufacture of fencing and trellising products used in fencing wall, road construction, agriculture industry among others.

MSEL reported profit after tax (PAT) of Rs.1.96 crore on operating income of Rs.56.04 crore for FY2013-14, as against PAT of Rs.1.53 crore on operating income of Rs.60.64 crore in FY2012-13. The company's net worth stood at Rs.44.69 crore as on March 31, 2014, as compared with Rs.42.75 crore a year earlier.

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