Press Release

Mangal Steel Enterprises Limited (MSEL)

March 28, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 48.63 Cr.
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Debt	ACUITE A3+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** to the Rs.48.63 crore of bank facilities of Mangal Steel Enterprises Limited (MSEL). The outlook is **'Stable'**.

The Kolkata-based MSEL was incorporated in August, 1981 by Mr. Bishwanath Garodia, Mr. Brij Mohan Dalmia and Ms. Usha Garodia. The company manufactures agricultural hardware, chain link fencing, pole line hardware, construction hardware and trellising products with the installed capacity of 13800 MTPA. MSEL has recently ventured into manufacture of steel and export of trellising products. The manufacturing facility of the company is located at Howrah, West Bengal.

Analytical Approach:
Acuité has taken a standalone view of the business and financial risk profile of MSEL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

Mr. B Garodia (Director) possesses more than four decades of experience in iron and steel industry which has helped the company to establish comfortable relationship with customers as well as with the suppliers.

Healthy financial risk profile
The healthy financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth stood healthy at Rs.58.47 crore in 31st March 2018 as increased from Rs.52.83 crore in previous year mainly due to retention of annual profit. The gearing stood comfortable at 0.37 times in FY'18 when compared to 0.33 times in the previous year. The total debt of Rs.21.37 crore consist only short term debt from bank. Interest coverage ratio (ICR) is strong at 8.43 times in FY 2018 as against 4.92 times in FY 2017. The debt service coverage ratio stood comfortable at 6.11 times in FY2018 as against of 3.67 times in FY2017. The net cash accruals to total debt stand comfortable at 0.27 times in FY2018 as compared to 0.25 times in the previous year.

Healthy profit margin
Operating margins improved and stands comfortable at 8.93 per cent in FY 2018 as compared to 8.70 per cent in FY 2017. It has increased mainly on account of reduction in administrative expenses. Net profitability remains comfortable at 5.16 per cent in FY2018 as compared to 4.36 per cent in FY2017.

Weaknesses

Working capital intensive nature of operation
The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 222 days in 2017-18, which increased marginally from 225 days in 2016-17. These high GCA days emanates from collection period and inventory holding period of 82 days and 95 days respectively in FY18. The company's operations are expected to remain working capital intensive, as the company is engaged in manufacturing wide range of trellising products and steel products, which leads to inventory holding period of around 95 days in order to meet the requirement of their regular customers.

Highly fragmented and competitive industry
MSEL operates in highly fragmented industry wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Liquidity Position:
The company has adequate liquidity marked by healthy net cash accruals of Rs.5.75 crore in FY2018 as compared to Rs.4.34 crore in the previous year. Moreover, company does not have fixed repayment obligations. The nature of operations is working capital intensive reflected by high gross current asset (GCA) days of 222 in FY 2018. This has led to moderate reliance on working capital borrowings, the working capital limit in the company remains utilised at 70-75 percent during the last 6 months period ended February 2019.

Outlook: Stable
Acuité believes that MSEL will maintain 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm 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 Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	95.51	80.92	92.85
EBITDA	Rs. Cr.	8.53	7.04	7.56
PAT	Rs. Cr.	4.93	3.53	3.19
EBITDA Margin	(%)	8.93	8.70	8.14
PAT Margin	(%)	5.16	4.36	3.44
ROCE	(%)	11.57	10.04	9.71
Total Debt/Tangible Net Worth	Times	0.37	0.33	0.47
PBDIT/Interest	Times	8.43	4.92	3.32
Total Debt/PBDIT	Times	2.25	2.18	2.86
Gross Current Assets (Days)	Days	222	225	211

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
29-Jan-2018	Packing Credit in Foreign Currency	Long Term	20.00	ACUITE BBB/Stable (Upgrade)
	Standby Line of Credit	Short Term	5.00	ACUITE A3+ (Upgrade)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Upgrade)
	Proposed Short Term Facility	Short Term	23.13	ACUITE A3+ (Upgrade)
20-Oct-2016	Packing Credit in Foreign Currency	Long Term	20.00	ACUITE BBB-/Stable (Upgrade)
	Foreign Bill Discounting	Long Term	11.00	ACUITE BBB-/Stable (Upgrade)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Upgrade)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Upgrade)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgrade)
	Derivative Exposure	Short Term	2.13	ACUITE A3 (Upgrade)
15-Jul-2015	Packing Credit in Foreign Currency	Long Term	20.00	ACUITE BB+/Stable (Assigned)
	Foreign Bill Discounting	Long Term	11.00	ACUITE BB+/Stable (Assigned)
	Standby Line of Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Derivative Exposure	Short Term	2.13	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Packing Credit in Foreign Currency	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB/Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+ (Reaffirmed)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	24.13	ACUITE A3+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.