



## Press Release

### MANGAL STEEL ENTERPRISES LIMITED

February 16, 2022

#### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	28.63	-	ACUITE A4+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	48.63	-	-

#### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE BB+' (read as ACUITE Double B plus) and the short term rating of 'ACUITE A4+' (read as ACUITE A Four plus) on the Rs.48.63 Cr bank facilities of Mangal Steel Enterprises Limited (MSEL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The ratings are being withdrawn on account of request received from the company and NOC received from the bankers.

#### About the Company

MSEL was incorporated on August 1981 by Mr. Bishwanath Garodia, Mr. Brij Mohan Dalmia, Mr. Pawan Kumar Jajodia and Ms. Usha Garodia. MSEL is a Kolkata-based manufacturer of agricultural hardware, chain link fencing, pole line hardware, construction hardware, and trellising with the installed capacity of 13800 MTPA. MSEL ventures as an exporter of trellising products and a steel manufacturer.

#### Analytical Approach

Acuite 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 4 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.87.44 Cr as on March 31, 2021 as increased from Rs.77.24 Cr as on March 31, 2020 mainly due to retention of annual profit. The gearing stood comfortable at 0.01 times as on March 31, 2021 when compared to

0.01 times as on March 31, 2020. The total debt of Rs.0.86 Cr consist only short-term debt from bank. Interest coverage ratio (ICR) is strong at 90.61 times in FY21 as against 22.37 times in FY20. The debt service coverage ratio stood comfortable at 57.55 times in FY21 as against of 15.80 times in FY20. The net cash accruals to total debt stands comfortable at 12.29 times in FY21 as compared to 11.29 times in FY20.

**Healthy profit margins**

Operating margins stand comfortable at 14.13 per cent in FY21 as compared to 14.15 per cent in FY20. Net profit margins remain comfortable at 12.88 per cent in FY21 as compared to 7.98 per cent in FY20.

**Weaknesses****Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 237 days in FY21, which increased from 172 days in FY20. These high GCA days emanates from collection period and inventory holding period of 73 days and 120 days respectively in FY21. 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.

**Rating Sensitivities**

Not Applicable

**Material covenants**

None

**Liquidity Position: Adequate**

The company has adequate liquidity marked by healthy net cash accruals of Rs.10.57 Cr in FY21 as compared to Rs.8.81 Cr 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 237 in FY21. 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**

Not Applicable

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	75.98	99.04
PAT	Rs. Cr.	9.79	7.91
PAT Margin	(%)	12.88	7.98
Total Debt/Tangible Net Worth	Times	0.01	0.01
PBDIT/Interest	Times	90.61	22.37

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jan 2021	Standby Line of Credit	Short Term	5.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Packing Credit	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	23.13	ACUITE A4+ (Downgraded and Issuer not co-operating*)
28 Mar 2019	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Reaffirmed)
	Packing Credit	Long Term	20.00	ACUITE BBB   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	24.13	ACUITE A3+ (Reaffirmed)
29 Jan 2018	Post Shipment Credit	Long Term	20.00	ACUITE BBB-   Stable (Upgraded from ACUITE BBB-   Stable)
	Standby Line of Credit	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Short Term Loan	Short Term	23.30	ACUITE A3+ (Upgraded from ACUITE A3)
20 Oct 2016	Post Shipment Credit	Long Term	20.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Bills Discounting	Long Term	11.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Derivative Exposure	Short Term	2.13	ACUITE A3 (Upgraded from ACUITE A4+)
15 Jul 2015	Packing Credit	Long Term	20.00	ACUITE BB+   Stable (Assigned)
	Bills 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	23.13	ACUITE A4+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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