

Manmeet Ispat Private Limited (MIPL)

Rating
Rationale

December 21, 2015

| Facility | Amount (Rs. Crore) | Rating |
|--------------------|-----------------------|-----------------------------------|
| Cash Credit | 5.50 | SMERA B+/Stable (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.5.50 crore bank facility of Manmeet Ispat Private Limited (MIPL). The outlook is '**Stable**'. The rating is constrained by the working capital intensive operations, below-average returns on capital employed and operating margins. The rating is also constrained by the susceptibility of operating margins to volatility in raw material prices. However, the rating draws comfort from the promoter's extensive industry experience and healthy relations with customers and suppliers.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues or operating margins
- Efficient working capital management
- Future capital expenditure and its funding mix thereof

Outlook: Stable

SMERA believes that MIPL will maintain a stable business risk profile over the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if MIPL achieves higher than expected revenues while sustaining its operating margins leading to improvement in the overall business risk profile. Conversely, the outlook may be revised to 'Negative' if there's elongation in working capital cycle thereby resulting in deterioration of the financial risk profile especially its liquidity.

About the Company

MIPL, was incorporated in 2004 and acquired by the Agrawal family of Chhattisgarh in 2008. The company is engaged in the manufacture of mild steel ingots at Bhilai, Chhattisgarh. The annual manufacturing capacity of the plant is 24,000 metric tons per annum (MTPA). MIPL also trades in pig iron, sponge iron and other related products.

For FY2014-15, MIPL reported profit after tax (PAT) of Rs.0.15 crore on total revenues of Rs.56.36 crore, as compared with PAT of Rs.0.13 crore on total revenues of Rs.61.70 crore in the previous year.

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