

Press Release

Manmeet Ispat Private Limited (MIPL)

08 February, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.50 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B+** '(read as SMERA B plus) on the Rs.5.50 crore bank facility of Manmeet Ispat Private Limited (MIPL). The outlook is '**Stable**'.

MIPL, incorporated in February 2004, is a Chhattisgarh-based company promoted by Mr. Sandeep Agrawal. The company is engaged in the manufacturing and trading of mild steel ingots.

List of key rating drivers and their detailed description

Strengths:

Extensive experience of the promoters: The promoter, Mr. Sandeep Agarwal has over a decades experience in the aforementioned business.

Average financial risk profile: MIPL's average financial risk profile is marked by relatively moderate gearing and coverage indicators. The gearing (debt to equity ratio) stood at 1.12 times as on 31 March, 2016 as against 0.85 times as on 31 March, 2015. The Interest coverage ratio stood at 1.54 times in FY2016 as against 1.58 times in the previous year. The tangible net-worth stood at Rs.7.00 crore as on 31 March, 2016.

Comfortable working capital cycle: MIPL has comfortable working capital cycle marked by GCA (gross current assets) of 86 days in FY2016 as against 65 days in FY2015 on account of quick collection from debtors. The debtor days stood at 15 and inventory days at 71 for FY2016.

Weaknesses:

Modest scale of operations: The scale of operations has been modest with operating income of Rs.53.26 crore in FY2015-16 as against Rs.55.95 crore in FY2014-15. The company achieved revenue of Rs.50.00 crore from April to December 2016.

Profitability susceptible to fluctuations in raw material prices: The company has low profitability marked by operating margin of 2.13 per cent in FY2016 as against 1.78 per cent in FY2015. The profitability is susceptible to fluctuations in raw material prices. The raw material cost constitutes ~80 per cent of total cost of sales. Adverse price movements in steel and its availability can materially impact profitability.

Fragmented and competitive industry: The company is exposed to intense competition from organised and unorganised players in the fragmented ingots industry.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of MIPL.

Applicable Criteria:

- Manufacturing Entity - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will continue to maintain a Stable outlook and benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' in case of sustained and substantial increase in scale of operations and profitability leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company reports lower accruals due to decline in revenue or profitability levels. Any debt-funded capex undertaken by the company that increases working capital requirement weakening the liquidity profile may also entail a 'Negative' outlook.

About the Rated Entity

The Chhattisgarh-based MIPL was incorporated in 2004. The company is primarily engaged in the manufacturing of mild steel ingots and trading in pig iron, cast iron, sponge iron among others.

For FY2015-16, the company reported net profit of Rs.0.16 crore on operating income of Rs.53.26 crore, as compared with net profit of Rs.0.16 crore on operating income of Rs.55.95 crore in FY2014-15. The net worth stood at Rs.7.00 crore as on 31 March, 2016 as against net worth of Rs.6.84 crore a year earlier.

Status of non-cooperation with previous CRA- Not Applicable
Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.50	SMERA B+ / Stable (Reaffirmed)	21 Dec 2015	SMERA B+ / Stable (Assigned)	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A.	N.A.	N.A.	5.50	SMERA B+/ Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pranali Salgaonkar Rating Analyst, Tel: +91-22-67141111 Email: pranali.salgaonkar@smera.in	

ABOUT SMERA

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