

Press Release

Manmeet Ispat Private Limited (MIPL)

March 01, 2017

Rating Reaffirmed

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs.7.50 Cr (Enhanced from 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 and has assigned rating of '**SMERA B+** '(read as SMERA B plus) to the Rs.2.00 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 promoter: The promoter, Mr. Sandeep Agarwal has over a decades experience in 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 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 is 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 percent in FY2016 as against 1.78 percent in FY2015. The profitability is susceptible to fluctuations in the prices of raw material. The raw material cost constitutes ~80 per cent of the total cost of sales. Thus, any adverse price movements in steel prices and availability can materially impact profitability.

Fragmented and competitive industry: The company is exposed to intense competition from organised and unorganised players in the fragmented steel 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 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, or if it undertakes debt-funded capex. Any working capital requirement undertaken that weakens 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 also trades 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- ICRA Limited in its press release dated 1 June 2015 had inter alia mentioned the following "ICRA has suspended the 'ICRA B' (pronounced ICRA B) rating assigned to the Rs. 5.50 crore bank facilities of Manmeet Ispat Pvt. Ltd. (MIPL). The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company."

Any other information: Not Applicable

Rating History for the last three years:

| Name of Instrument /Facilities | FY2017 | | | FY2017 | | FY2016 | | FY2015 | |
|--------------------------------|--------|--|-------------------------------------|------------------|-------------------------------------|-------------------|------------------------------------|--------|--------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Cash Credit | LT | 7.50 (Enhanced from Rs. 5.50 crore) | SMERA B+/ Stable (Reaffirmed) | 8 Feb 2017 | 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. | 7.50 (Enhanced from Rs.5.50 crore) | SMERA B+/ Stable (Reaffirmed) |

Note on complexity levels of the rated instrument:

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

Contacts:

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

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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