

Press Release

Manmeet Ispat Private Limited



January 30, 2019

Rating Upgraded and Assigned

Total Bank Facilities Rated	Rs.11.00 crore (Enhanced from Rs.7.50 crore)
Long Term Rating	ACUITE B+/ Stable

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE B'** (**read as ACUITE B**) to the Rs. 7.50 crore bank facilities of Manmeet Ispat Private Limited (MIPL). The outlook is '**Stable**'.

Further, Acuité has assigned the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs.3.50 crore bank facilities of MIPL. The outlook is '**Stable**'.

The upgrade is in view of continuous improvement in working capital cycle coupled with growth in operating income Y-O-Y. Acuité believes that the company will be able to sustain the growth in operating income while maintaining its working capital requirement over the medium term.

MIPL, based in Chhattisgarh, was incorporated in 2004 by Mr. Sandeep Agrawal. MIPL is engaged in manufacturing of mild steel ingots and also trades in pig iron, cast iron, sponge iron and other related products. The manufacturing capacity stands at 24,000 MT per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Manmeet Ispat Private Limited to arrive at the rating.

Key rating drivers:

Strengths:

Experienced management and long track record of operations:

MIPL, incorporated in 2004, is headed by Mr. Sandeep Agrawal (Managing Director). The day to day operations are handled by him and the promoters, Mrs. Chandra Agrawal and Mr. Dilip Agarwal. They all possess experience of over a decade in the iron and steel industry. Acuité believes that the long track record of operations and extensive experience of the management have helped the company maintain long term relations with customers and suppliers.

Continuous improvement in working capital cycle:

The operating cycle of the company has continuously improved during the period FY2016 to FY2018 marked by Gross Current Assets (GCA) of 62 days in FY2018 against 81 days in FY2017. The GCA days have improved on account of better realisation from inventory in FY2018 over FY2017. The receivable days stood at around 19 in FY2018 (PY: 20 days). The inventory holding period has improved to 34 days in FY2018 as against 45 days in FY2017. Further, the working capital limits are ~90 percent utilised as the company needs to pay in advance to its suppliers. Acuité believes that MIPL will maintain sufficient funds in order to maintain its working capital cycle over the near to medium term.

Continuous improvement in operating income:

The company has recorded continuous growth in revenues during the period FY2016 to FY2018 under the study. The revenues for FY2018 stood at Rs.84.49 crore as against Rs.61.13 crore in FY2017 and Rs.53.26 crore in FY2016. Revenue contribution from manufacturing activity stood at

56 percent and for trading stood at 43 percent in FY2018. Further, the company has registered revenues of Rs. ~88 crore for April to December, 2018 (Provisional). Acuité believes that MIPL will sustain the growth in operating income on the back of continuous orders from the customers for both manufacturing and trading activity.

Weaknesses:

Average financial risk profile:

MIPL's financial risk profile is average marked by a net worth of Rs.7.35 crore as on 31 March, 2018 as against Rs.7.17 crore as on 31 March, 2017. The gearing stood at 1.09 times as on 31 March, 2018 as against 1.18 times as on 31 March, 2017. The total debt of Rs.7.99 crore outstanding as on 31 March, 2018 comprises working capital borrowings from the bank. The interest coverage ratio (ICR) stood at 1.54 times in FY2018 as against 1.43 times in FY2017. ICR has improved on account of improvement in EBITDA levels in FY2018 as compared to FY2017.

The Net Cash Accruals stood at Rs.0.40 crore in FY2018 against Rs.0.38 crore in FY2017. The NCA/TD ratio stood at 0.05 times in FY2018 as against 0.04 times in FY2017.

Operating in a highly fragmented and competitive industry:

MIPL operates in a highly fragmented iron and steel industry. The company faces competition from large number of organised, integrated and unorganised players. MIPL also faces intense competition from manufacturers of MS billets as the demand for billets is more as compared to ingots.

Liquidity Position:

MIPL has moderate liquidity marked by moderate net cash accruals of Rs.0.40 crore with no long term debt obligation. The cash accruals of MIPL is estimated to remain in the range of Rs.0.40 crore to Rs.0.60 crore during FY2019-21 with no major long term maturities. MIPL's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 62 in FY 2018 (PY: 78 days). This has led to lower reliance on working capital borrowings, the cash credit limit in the group remains utilised at 80 percent during the last 6 months period ended December 2018. The current ratio of the company stood at 1.57 times as on 31 March, 2018 (PY: 1.33 times). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that MIPL will continue to maintain a 'Stable' outlook over the medium term from its promoter's extensive industry experience. The outlook may be revised to 'Positive' in case of 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 less 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 Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	84.49	63.27	53.26
EBITDA	Rs. Cr.	1.28	1.43	1.13
PAT	Rs. Cr.	0.18	0.17	0.16
EBITDA Margin	(%)	1.52	2.27	2.13
PAT Margin	(%)	0.22	0.26	0.31
ROCE	(%)	7.47	8.62	7.74
Total Debt/Tangible Net Worth	Times	1.09	1.18	1.12
PBDIT/Interest	Times	1.54	1.43	1.54

Total Debt/PBDIT	Times	5.77	5.52	6.14
Gross Current Assets (Days)	Days	62	78	96

Status of non-cooperation with previous CRA:

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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. Crore)	Ratings/Outlook
21-May-2018	Cash Credit	Long Term	7.50	ACUITE B/Stable (Downgraded from ACUITE B+/Stable)
01-Mar-2017	Cash Credit	Long Term	7.50 (Enhanced from Rs.5.50 crore)	ACUITE B+/Stable (Reaffirmed)
08-Feb-2017	Cash Credit	Long Term	5.50	ACUITE B+/Stable (Reaffirmed)
21-Dec-2015	Cash Credit	Long Term	5.50	ACUITE B+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B+/Stable (Assigned)

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About Acuité Ratings & Research:

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