

Press Release

Mahamanav Ispat Private Limited (MIPL)

05 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.12.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 12.00 crore bank facilities of Mahamanav Ispat Private Limited (MIPL). The outlook is '**Stable**'.

The Karnataka based-MIPL incorporated in 2006 by Mr. Srinivasa Venkata Rao and Mr. Suresh Babu (Directors) is engaged in the manufacturing of sponge iron. The company has installed capacity of 35000 MT and the current utilisation is around 95 percent.

Key rating drivers

Strengths

Experienced management: MIPL was incorporated in 2006 by Mr. Rao and Mr. Babu. The Directors have more than three decades of experience in the steel industry.

Moderate track record of operations: The company commenced commercial operations in 2006. Since the company has been able to withstand a couple of cycles in the industry, SMERA is of the opinion that the ability to sustain a cycle would help MIPL survive any adverse condition going forward.

Weaknesses

Below average financial risk profile: The company has a below average financial risk profile marked by high gearing of 25.65 times as on 31 March, 2017 as compared to 12.06 times as on 31 March, 2016 on account of low net worth position. The net worth stood at Rs.1.09 crore as on 31 March, 2017 compared to Rs.2.10 crore in the previous year. Further, TOL/TNW stood high at 27.96 times as on 31 March, 2017. The Interest Coverage Ratio stood at 1.09 times in FY2017 as compared to 1.57 times in FY2016.

Declining margins: The EBITDA margins declined during the period under study (FY2015-FY2017) to 4.40 percent in FY2017 from 7.27 percent in FY2016.

Intense competition: MIPL is exposed to intense competition from a large number of organised and unorganised players in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MIPL to arrive at

the rating.

Outlook – Stable

SMERA believes that MIPL will maintain a stable outlook over the medium term owing to its experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the financial risk profile improves and scale of operations increases. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	64.02	54.81	76.35
EBITDA	Rs. Cr.	2.82	3.99	2.28
PAT	Rs. Cr.	(1.00)	(0.00)	0.00
EBITDA Margin	(%)	4.40	7.27	2.99
PAT Margin	(%)	(1.57)	(0.00)	0.00
ROCE	(%)	5.61	10.82	9.30
Total Debt/Tangible Net Worth	Times	25.65	12.06	11.72
PBDIT/Interest	Times	1.09	1.57	1.73
Total Debt/PBDIT	Times	13.31	8.68	10.77
Gross Current Assets (Days)	Days	324	387	70

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Not Applicable

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	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA B/ Stable

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ABOUT SMERA

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