

Press Release

MAN TUBINOX LIMITED

06 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 165.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 165.00 crore bank facilities of MAN TUBINOX LIMITED (MTL). The outlook is '**Stable**'.

Man Tubinox Limited (MTL), incorporated in 2006 is part of the J. C. Man Group of Industries. The company is headed by Mr. Jagdish Mansukhani (Chairman) who has more than three decades of experience in the industry. The company is engaged in trading of steel products such as special steel tubes & pipes, billets, flat and long steel products among others. The company plans to set up a unit at Pithampur, Madhya Pradesh to manufacture seamless stainless steel tubes & pipes at an installed capacity of 15000 MT per annum.

Key Rating Drivers

Strengths

• Experienced management

MTL, incorporated in 2006 is headed by Mr. Jagdish J. Mansukhani (Chairman) who holds more than three decades of experience in the industry. He was associated previously with Man Group of Industries. Presently he has no active involvement in Man Industries on account of family settlement. Currently the company is engaged in the trading of steel products to sustain its day to day operations however the key focus is setting up a manufacturing unit for seamless steels and tubes.

SMERA believes that MTL will be able to sustain its leverage on the promoters' long standing experience and established relationships in the steel pipe sector.

Weaknesses

• Project execution risk

MTL is setting up a manufacturing unit at Pithampur, Madhya Pradesh to manufacture seamless stainless steel tubes and pipes with installed capacity of 15000 MT per annum. The total project cost is around Rs. 220.00 crore out of which Rs. 70 crore have been incurred as on December 2017. The project is expected to be funded partly through term loan from bank of Rs. 117.00 crore and the remaining Rs. 103 crore through equity share capital and unsecured loans from promoters. The project was initially supposed to be commenced from FY2016 however due to certain operational delays the operations are to commence from the first quarter of FY2020. Any significant delays in implementation of the project, achieving the commercial operations will impact the debt protection indicators. SMERA believes that timely completion of the project is critical to the credit profile of MTL.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of MTL to arrive at the rating.

Outlook: Stable

SMERA believes that MTL will maintain a Stable credit profile over the near to medium term on the back of experienced management and the advanced stage of financial closure with promoters funds being already infused and the sanctions for the debt components being in place. The outlook may be revised to 'Positive' if MTL commissions the project in time and exhibits higher than expected flow of orders. Conversely, the outlook may be revised to 'Negative' if there are further delays in commissioning of the project.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	274.63	295.27	265.07
EBITDA	Rs. Cr.	6.64	0.43	2.25
PAT	Rs. Cr.	0.96	-0.88	1.10
EBITDA Margin	(%)	2.42	0.15	0.85
PAT Margin	(%)	0.35	-0.30	0.42
ROCE	(%)	6.72	4.31	8.14
Total Debt/Tangible Net Worth	Times	0.15	0.18	0.15
PBDIT/Interest	Times	1.24	0.81	1.89
Total Debt/PBDIT	Times	1.89	5.94	2.97
Gross Current Assets (Days)	Days	172	140	91

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

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
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA BB / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	30.00#	SMERA BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	23.00	SMERA A4+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BB / Stable
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.50*	SMERA A4+

*100% interchangeability with CC limit

#100% interchangeability as LC/BG/Buyers Credit

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ABOUT SMERA

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