

**June 08, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	11.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Term Loan	0.27	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Letter of Credit	3.00	SMERA A4 (Reaffirmed)

SMERA has upgraded the long term rating on the Rs.11.27 crore fund based bank loan facilities of Monga Brothers Limited (MBL) to **'SMERA B+' (read as SMERA B plus)** from 'SMERA B' (read as SMERA B). The outlook is **'Stable'**. The rating on the short term bank facility has been reaffirmed at **'SMERA A4' (read as SMERA A four)**. The upgrade reflects improvement in the financial risk profile of the company. The ratings are also supported by the company's experienced management. However, the rating is constrained by the weak financial risk profile in an intensely competitive segment of the steel industry and exposure to raw material fluctuation risk. However, the ratings are supported by the company's experienced management.

### Update

MBL reported profit after tax (PAT) of Rs.0.25 crore (provisional) on operating income of Rs.78.43 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.21 crore on operating income of Rs.76.86 crore in the previous year. The company's profitability margins remain susceptible to volatility in prices of raw material. MBL operates in the competitive segment of the steel industry.

The net worth of the company increased to Rs.6.35 crore (provisional) as on March 31, 2015 from Rs.6.10 crore as on March 31, 2014. The net profit margin of the company improved to 0.32 per cent (provisional) for FY2015 from 0.27 per cent in FY2014. The company's interest coverage ratio improved to 1.51 times (provisional) in FY2015 from 1.37 times in FY2014.

### Outlook: Stable

SMERA believes MBL will maintain a stable business risk profile over the medium term. The company will continue to benefit from the experienced management and established relations with customers. The outlook may be revised to 'Positive' in case MBL registers strong growth in revenues and cash accruals while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the revenues and cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

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SMERA RATINGS LIMITED

## Monga Brothers Limited (MBL)

*Rating  
Rationale*

### About the Company

MBL, incorporated in 1966, is a Ludhiana-based company promoted by Mr. Sanjay Kumar Gupta and Mr. Mukesh Gupta. The company is engaged in the manufacture of steel ingots, rounds, flats and forgings.

MBL reported a net profit of Rs.0.25 crore on total income of Rs.78.43 crore (provisional) for FY2014-15, as compared with net profit of Rs.0.21 crore on total income of Rs.76.86 crore in FY2013-14. The company's net worth stood at Rs.6.35 crore (provisional) as on March 31, 2015, as against Rs.6.10 crore a year earlier.

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