

Date: 24/07/2024

The Secretary
BSE Limited
New Trading Wing,
Rotunda Building,
PJ Tower, Dalal Street,
Mumbai- 400001
Scrip code: 539044

The Manager
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block "G"
5th floor, Bandra Kurla Complex,
Bandra East,
Mumbai- 400051
Symbol: MANAKSTEEL

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Rating.

Dear Madam/Sir,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that CARE Ratings Limited ("Credit Rating Agency") has reaffirmed the ratings to bank facilities of Manaksia Steels Limited, as under:-

Facilities/ Instruments	Amount (Rs. In Crores)	Rating	Rating Action
Long Term Bank Facilities	45.00 (Enhanced from 37.00)	CARE A-; Stable	Reaffirmed
Short Term Bank Facilities	330.00 (Enhanced from 203.00)	CARE A2+	Reaffirmed

Kindly take this on record.

Thanking you,
Yours faithfully,

For Manaksia Steels Limited

Ajay Sharma
Company Secretary



Encl: as above

Manaksia Steels Limited

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Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Manaksia Steels Limited (MSL) considers the company's stable financial performance in FY24 (refers to period April 01 to March 31) and improvement in profitability margins. Ratings further continue to draw strength from long experience of the promoters in steel industry, strategic location of the plant, and comfortable capital structure and debt protection metrics.

However, ratings are constrained by small scale of operations, geographical and client concentration risk, low capacity utilisation, profitability susceptible to volatility in the raw material prices, exposure to foreign exchange fluctuation risk, and cyclicality associated with the steel industry.

Ratings also consider the ongoing project for capacity enhancement which is also expected to lead to improvement in capacity utilisation of the existing capacity. The project is being executed in two phases, the first of which is expected to be completed by Q3FY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations beyond ₹750 crore led by increasing volumes, and profitability margin beyond 8% on a sustained basis.
- Sustainance of capital structure and debt protection metrics.

Negative factors

- Declining scale of operations below ₹400 crore and operating profitability below 5% on a sustained basis.
- Deteriorating overall gearing and total debt to gross cash accruals (TD/GCA) beyond 0.35x and 5x, respectively, on a sustained basis.
- Worsening of operating cycle beyond 75-80 days on a sustained basis.

Analytical approach: Standalone.

Outlook: Stable

Stable outlook reflects the ability of the entity to sustain healthy operating performance and profitability over the near medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

MSL is promoted by Suresh Kumar Agrawal and family. Suresh Kumar Agrawal (Chemical Engineer) has an experience of about four decades in steel manufacturing industry. Varun Agrawal (son of S. K. Agrawal) looks after the company's day-to-day affairs and the support of experienced professionals.

Strategic location of the plant

In manufacturing steel products, freight cost constitutes a significant portion as large amount of bulky raw material is required to be sourced to the manufacturing site. The company needs to procure HR coils and Zinc from both domestic and overseas supplier. The plant's proximity to Haldia port area helps the company to save logistics cost.

Comfortable capital structure and debt protection metrics

The company's capital structure remained comfortable although slightly moderated due to increase in debt level as on March 31, 2024, due to increase in creditors backed by LC for import of raw materials. The gearing ratios

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

remained comfortable with overall gearing at 0.59x (PY: 0.16x) as on March 31, 2024. However, both TD/GCA and interests coverage ratio moderated due to increase in debt level. TD/GCA moderated to 4.80x in FY24 against 2.50x in FY23, whereas interest coverage ratio moderated to 4.50x in FY24 against 6.91x in the previous year.

Stable financial performance and improvement in profitability

MSL's TOI remained stable in FY24 with ₹631 crore against ₹641 crore in FY23. Both the export sales and domestic sales remain at a similar level with ₹144 crore (PY: ₹141 crore) and ₹488 crore (PY: ₹494 crore), respectively. However, the TOI in FY23 also included job work of around ₹6.00 crore, which resulted in increase in the turnover. The company is projected to improve its turnover and profitability going ahead with the completion of its galvalume project in FY25.

The PBILDT margin, which was previously moderated in FY23 to 2.66% owing to the imposition of duty on the export of iron ore, pellets, steel and steel intermediaries by the Government of India and the Russia-Ukraine war, has recovered to 5.13% in FY24, owing to moderation in raw material price and power & fuel cost.

Key weaknesses

Small scale of operation

MSL operates on a relatively small scale as compared to other players operating in the industry, with income from operations and total capital employed of ₹632 crore and ₹332 crore, respectively, in FY24 (₹641 crore and ₹288 crore in FY23).

Geographical and client concentration risk

MSL's customer base remained concentrated with top 10 customer contributing over 51% of its sales in FY24 (52% in FY23). The company generated revenue of around 78% in FY24 from selling its products in domestic market and rest through exports. In FY24, around 18% of sales includes supply of HR Coils and trading of aluminium sheets to its group companies based in Nigeria (MINL Limited and Sumo Steel Limited). The company is currently focusing to markets such as Portugal and Italy, where there is notable demand for high quality colour-coated sheets.

Low capacity utilisation though improvement in colour coating plant

The company's production process involves re-rolling of HR coils at room temperature to achieve exact shapes and better surface qualities to produce CR coils, which are then galvanised (zinc coated) and colour coated. MSL's current capacity is 192,000 MTPA (120,00 MTPA CR coils capacity; 24,000 MTPA galvanising capacity; 48,000 MTPA colour coating capacity) with 39% capacity utilisation in FY24 (FY23: 36%). However, MSL is currently in the process of debottlenecking its production facilities. With the completion of galvalume unit of 96,000 MTPA, the overall capacity utilisation is expected to increase from FY25 onwards.

Profitability susceptible to volatility in prices of raw materials

Raw material expense is the major cost driver for MSL. The major raw materials are HR coils, zinc and galvalume. The raw material prices are highly volatile in nature due to commodity nature of the product, whose prices are determined based on global demand and supply. Given the volatility in raw material prices and lack of backward integration, the company's profitability is susceptible to fluctuation in raw material prices.

Exposure to foreign exchange fluctuation risk

MSL procured most of its raw material, HR coils, majorly from Japan with raw material import stood at around 55% in FY24 of total raw material purchase. This was mainly considering dip in prices of raw materials in international market and also availability of more diversified product mix as compared to domestic suppliers. Hence, the company is exposed to foreign exchange fluctuation risk to the extent of raw materials imported for the purpose of domestic manufacturing. The company reported forex loss of ₹1.68 crore in FY24 as against ₹1.07 crore in FY23. The company also exports its products to countries such as Bhutan and Nigeria. However, the majority of these sales are done on advance basis.

Cyclicality associated with steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users, construction, infrastructure, automobiles, and capital goods, are heavily dependent on the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

Project risk

The company is in the process of enhancing its colour coating limit to 96,000 MTPA (currently 48,000 MTPA) and also setting up a new facility in its existing plant in Haldia to introduce new product called galvalume. The production capacity of galvalume sheets are expected to be 96,000 MTPA. The project's commercial operations date (COD) is scheduled at Q3FY25. Total estimated cost of the project will be ₹120 crore, which includes ₹80

crore for galvalume project and ₹40 crore for colour coating capacity enhancement project. The entire project cost will be funded through existing liquid investments and internal accruals of the company. The project will be done in two phases. The first phase, which is currently ongoing, is setting up of galvalume unit, with a total capital expenditure of ₹80 crore. MSL has invested ₹40 crore till FY24, with the remaining amount expected to be expensed in FY25. For the second phase, enhancement of the colour coating capacity, the company will expense another ₹40 crore, which will start post the completion of galvalume unit.

Liquidity: Strong

The company's liquidity position is strong characterised with GCA of ₹38.12 crore in FY24 against negligible debt repayment obligations and low utilisation of its working capital limits. The company has average maximum utilisation of 31% for 12 months period ending March 2024 against sanctioned limit of ₹42 crore.

As on March 31, 2024, the company has free cash and liquid investment of ₹147.63 crore. The company also has ₹21.07 crore lien marked FD. The cash flow from operation (CFO) for FY24 stood at ₹63.10 crore.

The operating cycle changed significantly with 10 days against 41 days in FY23. The change was majorly due to the increase in creditor's days due to higher imports of raw material, from 19 days in FY23 to 70 days in FY24. The debtor's period and inventory cycle remained at a similar level.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital goods	Industrial products	Iron & steel products

MSL was incorporated on June 07, 2001, by Kolkata-based Suresh Kumar Agrawal and family. It was a dormant company till October 01, 2013, before the demerger of steel division of Manaksia Ltd. (ML) to MSL. MSL is engaged in manufacturing cold-rolled sheets, galvanised plain & corrugated sheets, and colour-coated sheets.

The company has a manufacturing capacity of 120,000 metric tonne per annum (MTPA) of steel cold rolling products, 24,000 MTPA galvanising plant and 48,000 MTPA colour coating line at Haldia. The company also has a 30,000 MTPA galvanising plant at Bankura. However, the Bankura plant is not operational from FY14 onwards.

Financial performance

For the period ended / as on March 31,	(₹ crore)		
	2022 (12m, A)	2023 (12m, A)	2024 (12m, A)
<u>Working Results</u>			
Net Sales	504.36	641.24	631.64
Total operating income	504.52	641.48	631.96
PBILDT	38.80	17.07	32.44
Interest	0.81	2.47	7.21
Depreciation	5.63	5.38	4.83
PBT	40.33	16.51	38.79
PAT (After def Tax)	29.56	12.65	30.22
Gross Cash Accruals	35.56	18.49	38.12
<u>Financial Position</u>			
Equity Share capital	6.55	6.55	6.55
Net Worth	257.46	281.87	308.97

Total capital employed	269.11	288.09	332.00
Key Ratios			
Growth			
Growth in Total income (%)	29.57	27.15	-1.48
Growth in PAT (after deferred tax) (%)	50.16	-57.21	138.94
Profitability			
PBILDT/Total Op. income (%)	7.69	2.66	5.13
PAT (after deferred tax)/ Total income (%)	5.86	1.97	4.78
ROCE (%)	20.45	11.01	13.86
Solvency			
Debt Equity ratio (times)	0.01	0.00	0.00
Overall gearing ratio (times)	0.03	0.16	0.59
Interest coverage (times)	48.02	6.91	4.50
Term debt/Gross cash accruals (years)	0.04	0.05	0.00
Total debt/Gross cash accruals (years)	0.24	2.50	4.80
Liquidity			
Current ratio (times)	6.15	3.18	1.49
Quick ratio (times)	3.11	1.83	0.90
Turnover			
Average collection period (days)	13	9	12
Average inventory (days)	64	51	69
Average creditors (days)	30	19	70
Operating cycle (days)	46	41	10

A: Audited

Status of non-cooperation with previous CRA: Not applicable.**Any other information:** Not applicable.**Rating history for last three years:** Annexure-2**Details of rated facilities:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Covenants of rated instruments/facilities:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	45.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	330.00	CARE A2+

Annexure-2: Rating history for last three years

Current Ratings	Rating History
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Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	45.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (29-Jun-22)	1)CARE A-; Stable (05-Jul-21)
2	Non-fund-based - ST-BG/LC	ST	330.00	CARE A2+	-	1)CARE A2+ (07-Jul-23)	1)CARE A2+ (29-Jun-22)	1)CARE A2+ (05-Jul-21)

LT: Long term; ST: Short term

Annexure-3: Details of rated facilities

1. Long-term facilities

1.A. Fund-based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	IDBI Bank Ltd.	15.00	Cash credit
2.	IndusInd Bank Ltd.	10.00	Cash credit
3.	Axis Bank Ltd.	10.00	Cash credit
4.	Yes Bank Ltd.	5.00	Cash credit
5.	HDFC Bank Ltd.	5.00	Cash credit
	Total	45.00	

Total long-term facilities: ₹45.00 crore

2. Short-term facilities

2.A. Non-fund-based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	HDFC Bank Ltd.	105.00	BG/LC
2.	Axis Bank Ltd.	60.00	BG/LC
3.	Yes Bank Ltd.	45.00	BG/LC
4.	IndusInd Bank Ltd.	25.00	BG/LC
5.	IDBI Bank Ltd.	20.00	BG/LC
6.	Proposed	75.00	BG/LC
	Total	330.00	

Total short-term facilities: ₹330.00 crore

Total facilities (1.A+2.A): ₹375.00 crore

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Detailed explanation of covenants of rated instruments/facilities: Not applicable