Rating Rationale

Mandot Steel Corporation

19 Jun 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 10.00 Crores of Mandot Steel Corporation.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (Oct, 2016)	Previous (Apr, 2018)	Present
Fund based E-Dfs (Channel Finance)	10.00	10.00	Long Term	BWR BB Outlook: Stable	Issuer did not Cooperate; BWR BB- (Outlook : Stable)	BWR BB (Pronounced as BWR Double B) (Outlook:Stable) Upgraded
Total	10.00	10.00	INR Ten Crores Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has essentially relied upon audited financial results up to FY17, publicly available information and information/clarifications provided by the management.

The rating, inter alia, has factored the proprietor's experience, firm's relationship with a supplier, increased operating profit margin , satisfactory interest coverage indicator and low gearing. However the rating is constrained by decreased revenue, stretched conversion cycle, information risk and inherent risk.

Going forward, the Firm's ability to enhance the scale of operations with increased revenue and improving the profit margins and service the debt obligations promptly will remain key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:** Experience of the proprietor is more than 4 decades, 12 years relationship with. JSW Steel Ltd, operating profit margin is increased to 4.75% in FY17 against 2.93% in FY16, gearing level @ 1.27 times in FY17, interest service factor of 2.19 times.

- **Credit Risks:** Revenue is decreased to ₹ 137.90 Crs in FY17 against ₹ 104.79 Crs in FY16, stretched conversion cycle with high receivable days of 98 days in FY17 , working capital limits is expired and renewal if any not confirmed and inherent risk being proprietorship as constitution of the firm.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Mandot Steel Corporation** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Mandot Steel Corporation is a Proprietorship concern established by Mr. Mithanlal Jain in 1986 in Bangalore. The firm is a trader of Steel products manufactured by JSW Steel Ltd with whom they have a Memorandum of Understanding. The firm outsources various processes like cutting, welding etc to make it as per customer requirements. It operates with around 250 tonne loading capacity per day. Most of the firm's sales are to auto component makers as well as electrical equipment manufacturers.

Mr. Mithanlal Jain is the founder & sole proprietor of the firm. Day to day operations of the firm are looked after by his son, Mr. Narendra Jain, under the guidance & mentorship of his father.

Firm's Financial Performance

As per audited financials of FY17, firm has reported total operating income of ₹104.79 Crs as compared to ₹137.90 Crs in FY16 . Operating profit margin of the firm is at 4.75% and net profit margin of 5.51% in FY17. The firm has net worth of ₹ 15.41 Crs in FY17. Debt Equity ratio of the firm stood at 1.27 times in FY17. The firm has reported debt protection metrics indicated by ISCR of 2.19x and DSCR of 1.55x in FY17.

Rating History for the last three years

Facility	Current Rating (2018)			Rating History			
	Type	Amount (₹ Crs)	Rating	19-Apr-2018	2017	17-Oct-2016	23-Mar-2015
Fund Based E-Dfs	Long Term	10.00	**BWR BB Outlook: Stable** (Pronounced as BWR Double B) **Upgraded**	**Issuer did not Cooperate; BWR BB- (Outlook : Stable)**	**Not Rated**	**BWR BB (Outlook : Stable)**	**BWR BB (Outlook : Stable)**
Total		**10.00**	**INR Ten Crores Only**				

Status of non-cooperation with previous CRA - Nil

Any other information : Nil

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	137.90	104.79
EBITDA	₹ Cr	4.04	4.98
PAT	₹ Cr	7.00	5.78
Tangible Net worth	₹ Cr	12.46	15.41
Total Debt/Tangible Net worth	Times	2.32	1.27
Current Ratio	Times	2.97	2.45

Hyperlink/Reference to applicable Criteria

- General Criteria

- [Approach to Financial Ratios]()
- [Trading Entities]()

For any other criteria obtain hyperlinks from website

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<tr><th>Analytical Contacts</th><th>Media</th></tr>
<tr><td rowspan="3">Venkatesh
CGM-Ratings

analyst@brickworkratings.com</td><td>media@brickworkratings.com</td></tr>
<tr><td>Relationship Contact</td></tr>
<tr><td>bd@brickworkratings.com</td></tr>
<tr><td colspan="2">Phone: 1-860-425-2742</td></tr>
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For print and digital media
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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