

Press Release

Metal Coatings (India) Limited

June 02, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 22.50 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE BBB**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 22.50 crore bank facilities of Metal Coatings (India) Limited. The outlook is '**Stable**'.

Metal Coatings (India) Limited (MCIL), a New Delhi based company, is a public limited entity promoted by Khandelwal family in December. MCIL is engaged in the manufacturing of cold rolled steel strips/coils and hot rolled pickled and oiled (HRPO) steel strips/coils.

Key Rating Drivers

Strengths

- **Experienced management:**

ACUITE believes that MCIL will continue to benefit from its experienced management. The company is promoted by Mr. R.C. Khandelwal who has over 40 years of experience in the industry and is supported by a strong second line of management. MCIL is expected to continue to leverage its well established relationships with marquee clients and reputed suppliers over the medium term.

- **Healthy financial risk profile:**

The rating reaffirmation continues to factor in the company's moderate net worth, comfortable gearing and healthy debt protection measures. The net worth of the company stood at Rs.23.15 crore as on 31st March 2017 as against Rs.22.33 crore in the previous year. The gearing of the company stood at 0.46 times as on 31st March 2017 as against 0.78 times in the previous year. The total debt of Rs.10.65 crore consists of short term borrowings of Rs.10.59 crore, long term debt of Rs.0.01 crore and CPLTD of Rs.0.05 crore. The interest coverage ratio (ICR) stood at 3.37 times in FY2017 as against 3.53 times in the previous year. The NCA/TD ratio stood at 0.23 times for FY16-17 as against 0.13 times in previous year.

- **Effective working capital management:**

The rating continues to be supported by the comfortable liquidity position of MCIL marked by low bank limit utilization of 53 per cent for the twelve months ended on 31st March, 2018. MCIL's ability to efficiently manage its working capital requirements over the medium term shall remain instrumental in maintaining its credit risk profile. However, ACUITE further takes note that continued increase in Gross Current Asset days can adversely impact the liquidity position of the company and shall remain a credit monitorable. The gross current asset days stood at 121 days as on 31st March 2017 as against 124 days in the previous year. The reason for the same is due to decrease in inventory days to 32 days in FY2017 as against 39 days in the previous year.

Weaknesses

- **Modest Profitability Indicators:**

The rating continues to remain constrained by the modest profitability margins of the company due to the highly competitive and fragmented nature of the metals industry. The EBIDTA margin of the company stood stagnant at 4.20 percent in FY2017 as against 4.30 percent in the previous year. The PAT margins however has marginally increased to 1.75 percent in FY2017 as against 1.65 percent in the previous year. Further, presence of a large unorganized market continued to put pressure on the

profitability indicators of the company.

• Exposure to Volatility in Raw Material prices:

The rating also factors in the susceptibility of MCIL's cash flows to movement in the steel prices. The raw material costs of the company consist of 80.45 percent of the total revenue. Further, on account of its modest size and highly fragmented ACUIE believes that unforeseen adverse price movements in the steel and metal market can result in severe deterioration in MCIL's debt protection metrics.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the METAL COATINGS (INDIA) LIMITED to arrive at this rating.

Outlook: Stable

MICL is expected to maintain a stable risk profile on account of its experienced management and comfortable financial risk profile. The outlook may be revised to positive in case of sustained improvement in profitability margins while maintaining its working capital cycle. The outlook may be revised to negative in case of further decline in operating income and/or in case of adverse movement in the gearing.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	97.74	91.53	114.27
EBITDA	Rs. Cr.	4.11	3.93	4.49
PAT	Rs. Cr.	1.71	1.51	1.41
EBITDA Margin	(%)	4.20	4.30	3.93
PAT Margin	(%)	1.75	1.65	1.23
ROCE	(%)	10.72	9.37	22.67
Total Debt/Tangible Net Worth	Times	0.46	0.78	0.62
PBDIT/Interest	Times	3.37	3.53	2.43
Total Debt/PBDIT	Times	2.25	4.02	2.78
Gross Current Assets (Days)	Days	121	124	91

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Feb-2017	Cash Credit	Long Term	INR 20	ACUIE BBB / Stable
	Bank Guarantee	Short Term	INR 2.5	ACUIE A3+
17-Nov-2015	Cash Credit	Long Term	INR 20	ACUIE BBB / Stable
	Bank Guarantee	Short Term	INR 2.5	ACUIE A3+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB / Stable

Contacts

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About Acuité Ratings & Research:

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