

Press Release

Metal Coatings (India) Limited

February 16, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	1.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.15.00 crore bank facilities of Metal Coatings (India) Limited. The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects healthy financial risk profile, healthy debt protection metrics, adequate liquidity position, extensive experience of promoters. The rating is underpinned by the volatility in raw material prices which in turn has an impact on the margins of the company

About the Company

Incorporated in 1994, Delhi based Metal Coatings (India) Limited (MCIL) is a publicly listed entity promoted by Khandelwal family. The company is engaged in manufacturing of cold rolled (CR) steel strips or coils and hot rolled (HR) pickled and oiled steel strips or coils with an installed capacity of 16000 MTPA and 8000 MTPA, respectively. The company is currently managed by Mr. Ramesh Chander Khandelwal (Wholetime Director), Mr. Pramod Khandelwal (Managing Director), Mr. Satish Kumar Gupta (Non-Executive Independent Director), Ms. Rupali Aggarwal (Non-Executive Independent Director) and Mr. Sachin Khurana (Non-Executive Independent Director). The company has its manufacturing facility located in New Delhi.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MCIL while arriving at the rating.

Key Rating Drivers

Strengths

Established track record of operation and experienced management

The company has a long execution track record of 26 years in the iron and steel industry. The director of the company Mr. Ramesh Chander Khandelwal and Mr. Pramod Khandelwal have

more than two decades of experience in the iron and steel industry. The other directors are Mr. Sachin Khurana, Mr. Satish Kumar Gupta and Ms. Rupali Aggarwal who have extensive experience in running businesses. The company has a long presence in this sector and has established a healthy relationship with customers of more than a decade. Acuite believes that the company will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term.

Healthy financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs 33.97 crores in FY 22 as compared to Rs.31.48 crore in FY 2021. This improvement in net worth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.29 times as on March 31, 2022. Albeit the dip in coverage indicators it remained comfortable in FY22 as is apparent from the ICR and DSCR which stood at 30.79 times and 24.22 times (PY: 71.44x & 56x) respectively. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.34 in FY 2022 as against 0.32 times in FY2021. Going forward, Acuite believes the financial risk profile of the firm will remain healthy on account of steady cash accruals and no major debt funded capex plan.

Weaknesses

Exposure to volatility in raw material prices

MCIL's cash flows are susceptible to movement in the steel prices. The raw material costs of the company consist of ~ 83 per cent of the total revenue. Further, on account of its moderate size and highly fragmented industry, adverse price movements in the steel and metal market can result in severe deterioration in MCIL's profitability margin and debt protection metrics.

Decline in Margins

Inspite of increase in revenues experienced by the company, the margins have been declining due to the rise in prices of the Raw Material which the company was unable to fully pass on to the customers. The EBITDA Margin stood at 2.20% in FY 22 as compared to 3.38% in FY 21. There has been decline in the Net Margins as well to 1.98% in FY 2022.

Rating Sensitivities

- Scaling up of operations while improving their profitability margin
- Sustenance in capital structure

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals of Rs.3.30 in FY 2022 a slight improvement from 3.08 crore in FY 2021 against which the company has nil long term debt obligations. The working capital management of the company is marked by Gross Current Asset (GCA) days of 112 days as against 129 days in FY2021. The average fund based bank limit utilization remained at 0.63 percent during the 8-month period ended December 2022 while the non- fund based limit utilization remained moderate at 40.75 percent in the same period giving liquidity cushion in terms of undrawn lines. Further, the company had cash and bank balance of 0.28 crores as on 31st March 2022. The current ratio of the company stood healthy at 2.86 times in FY2022. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuite believes that company's business risk profile will remain 'Stable' on the back of extensive promoter's experience in the iron and steel industry and healthy financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected improvement in

operational performance while improving their liquidity position. Further, the outlook may be revised to 'Negative' in case of a sharp decline in operational performance or substantial elongation in their working capital cycle leading to any stretch in liquidity profile or deterioration in financial risk profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	142.26	94.12
PAT	Rs. Cr.	2.82	2.56
PAT Margin	(%)	1.98	2.72
Total Debt/Tangible Net Worth	Times	0.29	0.30
PBDIT/Interest	Times	30.79	71.44

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high level of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2022	Secured Overdraft	Long Term	13.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A3+ (Reaffirmed)
22 Oct 2020	Secured Overdraft	Long Term	13.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HSBC	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE A3+ Reaffirmed
HSBC	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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