

Press Release
Metal Coatings (India) Limited
May 15, 2024
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 augmentation in the revenues in FY2023 to Rs. 170.40 Cr. against Rs. 142.26 Cr. in FY2022. In 9mFY2024, the company has reported revenues of Rs.124.42 Cr. as against Rs. 127.10 Cr. in 9MFY2023. The rating further takes into account the healthy financial risk profile, healthy debt protection metrics and the adequate liquidity position. Acuite takes note of the extensive experience of promoters. The ratings are however constrained by the thin profit margins which remains exposed to the volatility in raw material prices .

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.

Unsupported Rating

Not Applicable

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 more than two decades 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. Acuité 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 36.95 crores in FY 23 as compared to Rs.33.97 crore in FY 2022. This improvement in net worth is mainly due to the retention of cash accruals. The company has no debt outstanding as on March 31, 2023 resulting in a gearing of 0 times as on March 31, 2023. The coverage indicators remained comfortable in FY23, Interest coverage ratio and Debt Service coverage ratio stood at 53.37 times and 42.09 times respectively. The net cash accruals to total debt (NCA/TD) stood low due to absence of debt. 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.

Revenue growth; stagnant margins

The revenues of the company grew by 20% reaching to Rs. 170.40 Cr. in FY2023 from 142.26 Cr. in FY2022. The company has achieved sales of Rs.124.43 crore till December 2023. The EBITDA & PAT Margins of the company stood stagnant at 2.19 % and 1.62 % in FY2023 against 2.20% and 1.98% in FY2022 due to volatility in raw material prices, increasing operational costs, and ongoing macro-economic challenges.

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Rating Sensitivities

- Scaling up of operations while improving their profitability margin.
- Substantial decline in the revenues or profitability impacting the overall credit profile of the company

Liquidity Position

Adequate

The liquidity of the company is adequate marked by sufficient net cash accruals of Rs.3.22 Cr. in FY 2023 against an absence of the debt repayment obligations. The working capital management of the company is marked by Gross Current Asset (GCA) days of 73 days as against 100 days in FY2022. The company has buffer in the fund based bank limit utilization as it has remained almost unutilised during the 6-month period ended December 2023 while the non- fund based limit utilization remained moderate at 40.75 percent in the same period. The company had cash and bank balance of 0.71 crore as on 31st March 2023. The current ratio of the company stood healthy at 5.85 times in FY2023. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against nil long term debt repayments.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	170.40	142.26
PAT	Rs. Cr.	2.76	2.82
PAT Margin	(%)	1.62	1.98
Total Debt/Tangible Net Worth	Times	0.00	0.29
PBDIT/Interest	Times	53.37	30.79

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

Not Applicable

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
16 Feb 2023	Bank Guarantee (BLR)	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	13.50	ACUITE BBB Stable (Reaffirmed)
25 Jan 2022	Bank Guarantee/Letter of Guarantee	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	13.50	ACUITE BBB Stable (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE A3+ Reaffirmed
HSBC	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	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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