

Press Release

Manaksia Coated Metals and Industries Limited

February 25, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 250.00 Cr.
Long Term Rating	ACUITÉ A-/Stable (Reaffirmed and Outlook revised)
Short Term Rating	ACUITÉ A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITÉ A-**' (read as **ACUITÉ A minus**) and short term rating of '**ACUITÉ A2+**' (read as **ACUITÉ A two plus**) on the Rs.250.00 crore bank facilities of Manaksia Coated Metals and Industries Limited (MCMIL). The outlook is revised to '**Stable**' from '**Negative**'.

The outlook revision reflects an expected improvement in MCMIL's liquidity position, along with healthy revenue growth over the medium term. The net cash accruals, which had improved to Rs 11.75 Cr. in FY20 as against Rs 9.75 Cr in FY19, is likely to improve further in FY21. Acuité also understands that the high creditor for capital goods is repayable after March 2022, which provides support to the short term liquidity of the company. The debt coverage levels are expected to improve further in FY21 backed by gradual repayment of term loans and increased cash accruals.

MCMIL is a Kolkata-based company managed by Mr. Sushil Agrawal and Mr. Ajay Chakraborty. It was incorporated in 2010 and was a dormant company till 2013, subsequently the coated metal division and mosquito coil division of Manaksia Ltd (ML) was transferred under the scheme of demerger. Manaksia Ltd is a multi-division conglomerate with 17 manufacturing plants in India and 3 abroad; two in Nigeria, one in Ghana. Prior to the demerger Manaksia Ltd. had four divisions viz. steel division, packaging division, coated metal & mosquito coil division and aluminum division. MCMIL is primarily engaged in the manufacturing of value added steel flat producers like galvanized steel sheets & coils and pre painted steel sheets & coils. The coated steel division of the company has an operational capacity to produce 1,08,000 MT per annum of galvanized steel coils, an operational capacity of 39,000 MT per annum of pre painted steel coils and the home insecticide division of the company has can produce 432 million mosquito coils per annum. The company's manufacturing facilities are located in Gujarat, Madhya Pradesh, Telangana and Assam. Recently the company has commenced contract manufacturing of Robin Blue for Reckitt Benckiser India Pvt Ltd since FY20.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of MCMIL, Manaksia International FZE (MIF) and JPA Snacks Private Limited (JPASPL) together referred to as the 'Manaksia Group' (MG) to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management. Further, MIF and JPASPL are wholly owned subsidiary of MCMIL. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Experience management and part of renowned group

MCMIL has been engaged into manufacturing of coated metal & mosquito coil since 2013, prior to 2013 the operations were under Manaksia Ltd (ML). ML is the flagship company of the group. ML has been engaged in this industry for more than 40 years and is promoted by Mr. Sushil Kumar Agrawal, Mr. Ajay Kumar Chakraborty and Mr. Karan Agrawal. The present Chairman of the company is Mr. Ajay Kumar Chakraborty who possesses extensive industry experience of more than two decades in the said industries. Mr. Sushil Kumar Agrawal, a commerce graduate from Calcutta University is the Managing Director of MCMIL has an experience of about

three decades in steel industry / packaging industry. The extensive experience of the promoters in the industry has helped the company build strong market presence.

Comfortable financial risk profile

The financial risk profile of the MCMIL is marked by healthy net worth, modest gearing and modest debt protection metrics. The net worth of the company stood at Rs.93.35 crore in FY2020 as compared to Rs.89.23 crore in FY2019. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stood at 1.48 times as on March 31, 2020 when compared to 1.43 times as on March 31, 2019 due to rise debt level. The total debt of Rs.138.25 crore in FY2020 consists of short-term loan of Rs.63.34 crore, unsecured loan from promoters of Rs.45.44 crore and long-term debt of Rs.29.47 crore. TOL/TNW stood at 3.09 times in FY20 as against 2.97 times in FY19. Interest coverage ratio (ICR) had deteriorated to 1.56 times during FY2020 as against 1.86 times in FY 2019 due to increase in financial cost. The reason for increase in financial cost is enhancement of working capital limits. The debt service coverage ratio stood at 1.10 times in FY2020 as against of 1.15 times in FY2019. However, debt protection ratios are expected to improve in FY21 backed by rise in absolute EBITDA. The net cash accruals against total debt (NCA/TD) stood at 0.09 times in FY20. Acuité believes the financial risk profile of the group is likely to improve in medium term backed by absence of large debt led capex plan and scheduled repayment of term loans.

Healthy revenue growth

The scale of operation is expected to improve substantially in FY21 as the company has recorded revenue of Rs 304.07 Cr. in 9MFY21 as against Rs 180.19 Cr. in 9MFY20. This improvement is driven by rise in capacity utilization of galvanizing unit due to increase in demand from both domestic and overseas markets. The company had witnessed a slight decline in revenue as it stood at Rs 247.05 Cr in FY20 as against Rs 266.08 Cr in FY19 because of weak performance in Q4FY20 due to pandemic outbreak. Acuité expects the scale of operation will improve in medium term backed by rise in capacity utilization of galvanizing unit.

Weaknesses

Exposure to cyclical in end-user industry

The coil coatings industry is inherently cyclical because of its high dependence on the construction and appliance industries. The demand for coil coatings, and hence, the player revenue and profitability are directly related to the growth of the coated steel sector, which is cyclical. Any slowdown in economic activity or lower investments in infrastructure and housing can have a negative impact on operations; though it is likely to witness large demand over the medium term due to industrial growth and development of new residential and commercial regions. However, MCMIL will remain susceptible to cyclical in the end-user segment.

Working capital intensive operations

The operations of the company are working capital intensive as reflected from its Gross Current Asset (GCA) days. The GCA days stood at 269 days in FY20 as against 210 day in FY19 on account of increase in inventory days. In FY20, the company had witnessed accumulation of finished goods due to nationwide lockdown which had resulted into increase in inventory level. Acuite believes company will continue to face high working capital requirement in medium term due to high inventory levels.

Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Improvement in debt protection metrics

Material Covenant

None

Liquidity Profile: Adequate

The company has witnessed an improvement in liquidity profile as reflected from its net cash accrual of Rs 11.75 Cr. in FY20 as against current maturity of Rs 7.25 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 22-25 Cr as against current maturity of around Rs 7.4 Cr from FY21-FY23. The working capital utilization during 12 month ended December 2020, which stood at around 85 percent. The financial obligation of around Rs. 31Cr is repayable after FY22 as per management. Current ratio stood comfortable at 1.12 times in FY20. However company has high working capital requirement as GCA days stood at 269 days in

FY20 as against 210 days. Acuite believes liquidity profile will remain adequate in medium term backed by healthy cash accrual.

Outlook: Stable

Acuite believes the outlook on MCMIL will remain 'Stable' over the medium term backed by improvement in its' liquidity profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with sustainability of the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	247.05	266.08
PAT	Rs. Cr.	2.79	-0.41
PAT Margin	(%)	1.13	-0.16
Total Debt/Tangible Net Worth	Times	1.48	1.43
PBDIT/Interest	Times	1.56	1.86

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
27 February 2020	Cash Credit	Long Term	23.00*	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	13.00^	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	6.00@	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	3.00	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	5.00	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	5.00	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	8.00	ACUITE A-/Negative (Reaffirmed, Outlook Revised)

	Term Loan	Long Term	26.59	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	15.00	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Letter of Credit/Bank Guarantee	Short Term	13.32	ACUITE A2+ (Reaffirmed,
	Letter of Credit/Bank Guarantee	Short Term	20	ACUITE A2+ (Reaffirmed,)
	Letter of Credit/Bank Guarantee	Short Term	22.50	ACUITE A2+ (Reaffirmed,
	Letter of Credit/Bank Guarantee	Short Term	16.00	ACUITE A2+ (Reaffirmed,
	Letter of Credit/Bank Guarantee	Short Term	25	ACUITE A2+ (Reaffirmed,
	Letter of Credit/Bank Guarantee	Short Term	12	ACUITE A2+ (Reaffirmed,
	Letter of Credit/Bank Guarantee	Short Term	15	ACUITE A2+ (Reaffirmed,)
	Letter of Credit/Bank Guarantee	Short Term	8	ACUITE A2+ (Reaffirmed,
	Proposed fund based limit	Long Term	34.59	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
29- January-2019	Cash Credit	Long Term	23.00*	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	13.00^	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	6.00@	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE A-/Stable (Assigned)
	Term Loan	Long Term	38.00	ACUITE A-/Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	10.00	ACUITE A-/Stable (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	19.50**	ACUITE A2+ (Assigned)

	Letter of Credit/Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	22.50	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	25.00@@	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	12.00	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	30.00>	ACUITE A2+ (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	12.00	ACUITE A2+ (Assigned)
	Proposed fund based limit	Long Term	12.00	ACUITE A-/Stable (Assigned)

*EPC/FBD/PCFC limit of Rs.20.00 crore sublimit of CC

**BG limit of Rs.1.50 crore sublimit of LC

**One way interchangeability from LC to FBWC upto 50% of the LC limit (Rs.9.75 crore)

^ WCDL limit of Rs.10.00 crore sublimit of CC

^EPC/FBD/PCFC limit of Rs.13.00 crore sublimit of CC

@ PC/FBD/PCFC limit of Rs.5.50 crore sublimit of CC

@ WCDL limit of Rs.6.00 crore sublimit of CC

@@BG limit of Rs.1.50 crore sublimit of LC

>BG limit of Rs.1.00 crore sublimit of LC

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00*	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	March 2017	Not Applicable	June 2023	5.00@	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00>	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.0	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A-/Stable (Reaffirmed, Outlook Revised)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00@@	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Term Loan	April 2017	Not Applicable	June 2023	24.27	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	13.32	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	22.50	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00**	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00@^	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ (Reaffirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	26.91	ACUITE A-/Stable (Reaffirmed, Outlook Revised)

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