

Press Release

Manaksia Coated Metals and Industries Limited

June 07, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 250.00 Cr.
Long Term Rating	ACUITÉ A-/Stable (Reaffirmed)
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 Metal and Industries Limited (MCMIL). The outlook is '**Stable**'.

The reaffirmation of the ratings reflect an improving scale of operations driven by rise in both sales volume and average realization of value added metal sheets. The ratings continue to factor in MCMIL's healthy networth and its moderate capital structure. These rating strengths are partially offset by the company's working capital intensive nature of operations which has led not only to a decline in operating margins but also built some liquidity pressures in FY21.

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 products 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 can produce 432 million mosquito coils per annum. The company's manufacturing facilities are located in Gujarat, Madhya Pradesh, Telangana and Assam. The company has also 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

Experienced 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.

Moderate financial risk profile

The financial risk profile of the MCMIL is marked by healthy net worth, modest gearing and moderate debt protection metrics. The net worth of the company stood at Rs.99.86 Cr in FY2021 as compared to Rs.93.35 Cr in FY2020. The gearing of the company stood at 1.38 times as on March 31, 2021 when compared to 1.48 times as on March 31, 2020. The total debt of Rs.137.28 Cr in FY21 consists of short-term loan of Rs.65.70 Cr and long-term debt of Rs.71.68 Cr.TOL/TNW stood at 3.39 times in FY21 as against 3.09 times in FY20. Interest coverage ratio (ICR) had improved to 1.86 times during FY21 as against 1.56 times in FY20 due to rise in absolute EBITDA backed by increased turnover levels. The debt service coverage ratio stood at 1.29 times in FY21 as against 1.10 times in FY20. The net cash accruals against total debt (NCA/TD) stood at 0.11 times in FY21 as against 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 any large debt led capex plan and scheduled repayment of term loans.

Healthy revenue growth

The scale of operation of the company has witnessed a significant improvement in FY21 as the company has recorded revenue of Rs 449 Cr. in FY21 as against Rs 247 Cr. in FY20. This improvement is driven by rise in capacity utilization of galvanizing unit due to increase in demand from both domestic and overseas markets. Acuité expects the scale of operation will continue to improve over the medium term backed by rise in capacity utilization of galvanizing unit.

Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive as reflected from its Gross Current Asset (GCA) days. While the GCA days improved to 193 days in FY21 as against 269 days in FY20 on account of decline in inventory days, it still remains at high levels. Inventory days stood at 135 days in FY21 as against 205 days in FY20. Debtor days stood at 38 days during the last 2 years. Acuite believes company will continue to face high working capital requirement in medium term due to high inventory levels.

Pressure on operating margins

The profitability of the company has declined as EBITDA margin of the company stood at 7.99 percent in FY21 as against 10.94 percent in FY20. The decline in operating margins is driven by higher raw material costs and particularly higher steel price. Acuite believes that the profitability margins of the group will continue to remain vulnerable as company is exposed to raw material fluctuation risk.

Rating Sensitivity

- Sustenance of revenue growth along with improvement in profitability margin
- Improvement in debt protection metrics

Material Covenant

None

Liquidity Profile: Adequate

The company has adequate liquidity profile as reflected from its net cash accrual of Rs 14.91 Cr. in FY21 as against debt repayment of Rs 7.25 Cr in the current year. 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 Cr from FY22-FY24. The bank limits during 12 month ended December 2020, stood at around 85 percent. The financial obligation related to creditor for capital goods stood around Rs. 35 Cr is repayable after FY22 as per management. Current ratio stood comfortable at 1.16 times in FY21. However the company has high working capital requirement as GCA days stood at 193 days in FY21. While we expect the liquidity position of MCMIL to remain adequate given the healthy cash accruals, the working capital intensity can pose liquidity risks.

Outlook: Stable

Acuite believes the outlook on MCMIL will remain 'Stable' over the medium term backed by the company's established track record and part of a reputed group. The outlook may be revised to 'Positive' if the company is able to sustain its turnover growth momentum along with improvement in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a deterioration in the liquidity profile due to higher inventories and debtor build up.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	449.07	247.05
PAT	Rs. Cr.	5.85	2.79
PAT Margin	(%)	1.30	1.13
Total Debt/Tangible Net Worth	Times	1.38	1.48
PBDIT/Interest	Times	1.86	1.56

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
25 February 2021	Cash Credit	Long Term	23.00*	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	5.00@	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	6.00>	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	5.0	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	8.00	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	3.00@@	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	15.00	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
	Term Loan	Long Term	2.00	ACUITE A-/Stable (Reaffirmed,

				Outlook Revised)
	Cash Credit	Long Term	24.27	ACUITE A-/Stable (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	26.91	ACUITE A-/Stable (Reaffirmed, Outlook Revised)
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	20.00	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	25.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit/Bank Guarantee	Short Term	12.00@^	ACUITE A2+ (Reaffirmed)
	Letter of Credit/Bank Guarantee	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit/Bank Guarantee	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Proposed fund based limit	Long Term	21.91	ACUITE A-/Negative (Reaffirmed, Outlook Revised)
	Cash Credit	Long Term	23.00*	ACUITE A-/Stable (Assigned)
27- January-2019	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)

***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)
Cash Credit	March 2017	Not Applicable	June 2023	5.00@	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00>	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.0	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00@@	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	April 2017	Not Available	June 2023	24.27	ACUITE A-/Stable (Reaffirmed)

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 Bank Facility	Not Applicable	Not Applicable	Not Applicable	21.91	ACUITE A-/Stable (Reaffirmed)

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