

Press Release

Manaksia Coated Metals and Industries Limited

March 07, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	108.51	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	117.82	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	2.00	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	63.67	ACUITE A- Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	300.00	-	-
Total Withdrawn Quantum (Rs. Cr)	10.00	-	-

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.226.33 crore bank facilities of Manaksia Coated Metal and Industries Limited (MCMIL). The outlook is '**Stable**'.

Acuité has assigned 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.73.67 crore bank facilities of Manaksia Coated Metal and Industries Limited (MCMIL).

Acuité has reaffirmed and withdrawn the long-term rating of '**ACUITÉ A-**' (read as **ACUITÉ A minus**) and short term rating of '**ACUITÉ A2+**' (read as **ACUITÉ A two plus**) on the Rs.10.00 crore bank facilities of Manaksia Coated Metal and Industries Limited (MCMIL).The above mentioned limits are being withdrawn on account of request received from the company and NOC received from the concern banker.

The reaffirmation of the ratings reflect sustained improvement in scale of operations driven by substantial rise in average realization of value added metal sheets on account of favorable demand scenario. The ratings continue to factor in MCMIL's healthy networth and its moderate capital structure. In addition, the company has a diversified geographical presence as MCMIL caters to both domestic and overseas markets such as European and African nations. These rating strengths are partially offset by the company's working capital intensive nature of operations and decline in profit margin.

About the Company

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 who is the Managing Director of MCMIL and has experience of about three decades in steel industry. The extensive experience of the promoter in the industry has helped the company build strong market presence. In FY21, around 70 percent of revenue was derived from domestic market and remaining 30 percent was from the overseas markets. However in the current financial year, the majority of its revenue is expected to come from overseas sales due to strong demand from European markets.

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 in a similar range during FY21 & FY20 at 1.48 times because of addition of GECL loans during FY21. This led to increase in debt level which stood at Rs 148 Cr in FY21 as against Rs 138 Cr in FY20. 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 company is likely to improve in medium term backed by absence of any large debt led capex plan and scheduled repayment of term loans.

Sustained 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. In 9MFY22, the company has already achieved revenue of Rs 467 Cr because of rise in average realization of metal products. The company has enhanced the capacity of colour coated line to 50,000 MT from 39000 MT during Q2FY22. 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 195 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. Reason for high inventory days is large stock of raw materials and finished goods. 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 7.87 percent in FY21 as against 10.94 percent in FY20. The decline in operating margins because of hike in freight expenses due to shortage of containers. The profitability margin is likely to witness further decline in FY22 as company has posted a EBITDA margin around 6.3 percent during 9MFY22 due to high freight expenses. Acuite believes that the profitability margins of the company will continue to remain vulnerable as company is exposed to raw material fluctuation risk.

Rating Sensitivities

- Sustained improvement in profitability margin and financial risk profile
- Improvement in liquidity profile

Material covenants

Not Applicable

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 current maturity of Rs 10.11 Cr. The company has already posted net accrual of Rs 11.94 Cr during 9MFY22. Going forward, the net cash accruals are expected to be in the range of Rs 18-20 Cr as against current maturity of around Rs 11 Cr from FY23-FY24. The bank limits during 12 month ended January 2022 stood at around 92 percent. The financial obligation related to creditor for capital goods stood around Rs. 32.52 Cr which will be repaid through sale of unutilized asset. Current ratio stood comfortable at 1.16 times in FY21. However the company has high working capital requirement as GCA days stood at 195 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

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	446.70	247.05
PAT	Rs. Cr.	5.85	2.79
PAT Margin	(%)	1.31	1.13
Total Debt/Tangible Net Worth	Times	1.48	1.48
PBDIT/Interest	Times	1.86	1.56

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

MCMIL is listed under the 'Non Co-operation by the issuer' category by Infomerics due to inadequate information provided by the company dated on 29 October 2021

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2021	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	24.27	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Long Term	25.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	22.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	13.32	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	21.91	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	24.27	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Short			

25 Feb 2021	Letter of Credit	Term	12.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	26.91	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	22.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	13.32	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
27 Feb 2020	Cash Credit	Long Term	3.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Short Term	26.59	ACUITE A- (Reaffirmed)
	Proposed Bank Facility	Long Term	34.59	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	22.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	13.32	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Assigned)

29 Jan 2019	Cash Credit	Long Term	13.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Loan	Long Term	12.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	3.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	22.50	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	23.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	19.50	ACUITE A2+ (Assigned)
	Term Loan	Long Term	38.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A- Stable Assigned
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A- Reaffirmed & Withdrawn
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	13.32	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	22.50	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Reaffirmed
Bandhan	Not	Letter of	Not	Not	Not	12.00	ACUITE A2+

Bank	Applicable	Credit	Applicable	Applicable	Applicable		Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ Reaffirmed
Bandhan Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2+ Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2+ Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	21.91	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	29.67	ACUITE A- Stable Assigned
UCO Bank	Not Applicable	Term Loan	17-04-2017	12.50	30-06-2023	16.60	ACUITE A- Stable Reaffirmed

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