

Press Release

Manaksia Coated Metals And Industries Limited

April 05, 2023



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	125.00	ACUITE BBB+ Stable Downgraded	-
Bank Loan Ratings	175.00	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	338.00	-	-

Rating Rationale

Acuite has assigned and downgraded the long-term rating to '**ACUITÉ BBB+ (read as ACUITÉ triple B plus)**' from '**ACUITÉ A- (read as ACUITÉ A minus)**' and downgraded short term rating to '**ACUITÉ A2 (read as ACUITÉ A two)**' from '**ACUITÉ A2+ (read as ACUITÉ A two plus)**' on the Rs.338 Cr bank facilities of Manaksia Coated Metal and Industries Limited (MCMIL). The outlook remains '**Stable**'.

Rationale for the rating

The downgrade is primarily on account of consistent decline in profitability margins of the company in FY2022 and 9MFY2023. The downgrade further factors deterioration in the financial risk profile characterized by high gearing apart from working capital intensive nature of operations of the company. However, the rating also considers improvement in the scale of operations driven by favorable demand scenario. In addition to this, the company has a diversified geographical presence as MCMIL caters to both domestic and overseas markets.

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 60,000 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 subsidiaries of MCMIL.

Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

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. Acuité believes that the long track record of operations and the vast experience of the promoters will continue to support the growth plans of the group, going forward.

Improvement in scale of operations coupled with geographical diversification

The company has achieved a revenue of Rs. 648.03 Cr in FY22 as against Rs. 449 Cr in FY21 and Rs. 247 Cr in FY20, registering a 2-year CAGR of 61%. Further, in 9MFY23, the company has already achieved revenue of Rs 469.08 Cr. The significant growth in the revenue of the company is primarily on account of rise in capacity utilization of galvanizing unit due to increase in demand from both domestic and overseas markets. Moreover, major portion of the company's revenue comes from domestic markets through its distribution channel for coated metal products. The company has 24 dealers spread across Gujarat, Rajasthan and Kerala. The company caters to 20 countries in the overseas markets. In 9MFY23, revenue from domestic markets will contribute around 84 per cent of total revenue.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by healthy net worth, higher than unity gearing and moderate debt protection metrics. The net worth of the company stood at Rs.108.76 Cr as on March 31, 2022 as compared to Rs.99.86 Cr as on March 31, 2021. The gearing of the company stood at 1.63 times as on March 31, 2022 as compared to 1.48 times as on March 31, 2021. TOL/TNW stood high at 3.45 times as on March 31, 2022 as against 3.39 times as on March 31, 2021. The moderate debt protection metrics of the company is marked by Interest coverage ratio (ICR) at 1.88 times in FY2022 as against 1.86 times in FY2021 and debt service coverage ratio (DSCR) at 1.22 times in FY2022 as against 1.29 times in FY2021. The net cash accruals against total debt (NCA/TD) stood low at 0.10 times as on March 31, 2022 similar as previous year. Acuité believes the financial risk profile of the company will remain at similar level in medium term in absence of any large debt led capex plan.

Weaknesses

Dip in profitability margin

There is a substantial dip in the profitability margins of the company as EBITDA margin has declined to 6.49 per cent in FY2022 from 7.87 percent in FY2021 and 10.94 percent in FY2020. Further, the company has achieved EBITDA margin of 5.97 per cent in 9MFY2023. In FY2022, the decline in the profitability margin is predominantly due to increase in freight charges and additionally in 9MFY2023, the deterioration in the margin is on account of hike in input prices. Acuité believes that the profitability margins of the company will continue to remain vulnerable as company is exposed to raw material fluctuation risk and a key rating monitorable.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 165 days as on 31st March 2022 as compared to 195 days as on 31st March 2021. The high level of GCA days is primarily on account of high inventory levels during the same period, this is due to stocking up of large quantity of raw materials and finished goods. The inventory holding stood at 121 days as on 31st March 2022 as compared to 135 days as on 31st March 2021. However, the debtor period also stood comfortable at 27 days in 31st March 2022 as compared to 35 days in 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level as evident from high inventory levels over the medium term.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Sustainability in revenue growth while improving profitability margins
- Improvement in the capital structure

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity position as reflected from its net cash accrual of Rs. 17.52 Cr in FY2022 as against long term debt repayment of Rs 10.11 Cr for the same period. Further, the fund based bank limit utilization of 6 months ended February 2023 stood at around 82 per cent. The current ratio stood moderate at 1.14 times in FY22. However, the working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 165 days as on 31st March 2022 as compared to 195 days as on 31st March 2021. Acuité believes the liquidity position of the company will remain adequate over the medium term backed by steady accruals.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	648.03	446.70
PAT	Rs. Cr.	8.62	5.85
PAT Margin	(%)	1.33	1.31
Total Debt/Tangible Net Worth	Times	1.63	1.48
PBDIT/Interest	Times	1.88	1.86

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

Infomeric vide its press release dated 24.01.2023, had reaffirmed the the company to IVR BB+/Negative ; INC

Any other information

Not Applicable

Applicable Criteria

Acuité Ratings & Research Limited

www.acuite.in

- 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 levels 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
07 Mar 2022	Cash Credit	Long Term	2.00	ACUITE A- (Withdrawn)
	Cash Credit	Long Term	7.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	21.91	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A2+ (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	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)	

	Cash Credit	Long Term	17.00	ACUITE A- Stable (Assigned)	
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Withdrawn)	
	Letter of Credit	Short Term	13.32	ACUITE A2+ (Reaffirmed)	
	Proposed Bank Facility	Long Term	29.67	ACUITE A- Stable (Assigned)	
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)	
	Term Loan	Long Term	16.60	ACUITE A- Stable (Reaffirmed)	
	Cash Credit	Long Term	8.00	ACUITE A- Stable (Reaffirmed)	
		Long		ACUITE A- Stable (Reaffirmed)	
07 Jun 2021	Cash Credit	Term	3.00	(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)	
	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)	
		Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
		Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
		Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)	

25 Feb 2021	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	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)
	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	Long 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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Downgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Downgraded
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB+ Stable Downgraded
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB+ Stable Downgraded
SBM Bank (India) Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB+ Stable Downgraded
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB+ Stable Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB+ Stable Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB+ Stable Downgraded
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB+ Stable Downgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Downgraded
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Downgraded
Bandhan Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A2 Downgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A2 Downgraded
SBM Bank (India) Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.50	ACUITE A2 Downgraded
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.50	ACUITE A2 Downgraded
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.00	ACUITE A2 Downgraded
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A2 Downgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2 Downgraded
Bank of	Not	Letter of	Not	Not	Not			ACUITE A2

Baroda	Applicable	Credit	Applicable	Applicable	Applicable	Simple	5.00	Downgraded
Bandhan Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A2 Downgraded
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A2 Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB+ Stable Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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