

## Press Release

### Manaksia Aluminium Company Limited

October 21, 2020

#### Rating reaffirmed & Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 175.00 Cr (Enhanced from Rs. 165.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+/Stable (Reaffirmed )
<b>Short Term Rating</b>	ACUITE A2+ (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE BBB plus**) and reaffirmed the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.175.00 crore bank facilities of Manaksia Aluminium Company Limited (MACL). The outlook is '**Stable**'.

MACL is a Kolkata-based company managed by Mr Sunil Kumar Agarwal and Mr Anirudh Agarwal. It was incorporated in 2010 and was a dormant company till 2013. Subsequently, the aluminum vertical of Manaksia Limited (ML) was transferred under the scheme of demerger. Since then the company is engaged in manufacturing of value added aluminum products such as aluminum rolled sheets / coils, aluminum patterned sheets, aluminum roofing sheets, aluminum flooring sheets, aluminum alloy ingots. The company's manufacturing facilities are located in Haldia and Barjora Bankura (West Bengal) with an installed capacity of 25800 tonnes per annum. There was an expansion in production capacity to 25800 tonnes per annum from 18000 tonnes per annum in FY20. The enhanced capacity has been operational since December 2019.

#### Analytical Approach:

Acuite has considered the standalone business and financial risk profiles of MACL to arrive at the rating.

#### Key Rating Drivers:

##### Strengths

##### Experience management and part of reputed group

MACL has been engaged in manufacturing of aluminum rolled products and caster coils since 2013. Prior to 2013, the operations were under Manaksia Ltd. 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. Sunil Kumar Agrawal, Mr. Sushil Kumar Agrawal, Mr. Anirudh Agrawal and Mr. Karan Agrawal. Mr. Anirudh Agrawal is an MBA graduate and has industry experience of around a decade in the rolled aluminum product manufacturing. Mr. Sunil Kumar Agrawal, a commerce graduate from Calcutta University, is the Managing Director of MACL and has an experience of about three decades in manufacturing and factory administration for metal packaging and aluminum rolling products. The company has a diversified presence as 68 percent of total revenue comes from overseas markets such as the USA, European and African nations among others. In FY20, MACL had witnessed an improvement in revenue from overseas markets which led to overall revenue growth of 2.06 percent. Acuite believes the scale of operation is expected to improve in medium term backed by a rise in demand from domestic markets.

##### Comfortable financial risk profile

The financial risk profile of the MACL is marked by healthy net worth, low gearing and modest debt protection metrics. The net worth of the company stands at Rs.111.80 crore in FY2020 as compared to Rs.106.31 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood at 0.66 times as on March 31, 2020 when compared to 0.62 times as on March 31, 2019. The total debt of Rs.74.26 crore in FY2020 consists of short-term loan of Rs.49.22 crore, long-term debt of Rs.16.29 crore and an unsecured loan from promoters of Rs.8.75 crore. Interest coverage ratio (ICR) had marginally

deteriorated to 1.84 times during FY2020 as against 1.99 times in FY 2019 due to an increase in financial cost. The reason for the increase in financial cost was due to the rise in debt level because of debt led expansion capex. The debt service coverage ratio stood at 1.81 times in FY2020 as against of 2.34 times in FY2019. The net cash accruals against total debt (NCA/TD) stood at 0.15 times in FY20 as against 0.19 times in FY19. Acuite believes the financial risk profile of the group will remain comfortable in the medium term because of no major debt-funded capex along with expected infusion of the equity share capital through the right issue.

### Improvement in profitability

The company had witnessed an improvement in profitability margin during FY20 as reflected from its EBITDA margin, which stood at 7.97 percent in FY20 as against 6.42 percent in FY19 on account of decline in raw material prices. RoCE of the company stood at 9.34 in FY20 as against 6.83 percent in FY19. However, the profitability is expected to remain subdued in FY21 because of Rs 4.36 crore EBITDA loss in Q1FY21. This was on account of the ongoing pandemic, which led to low revenue generation in Q1FY21. Acuite believes profitability margin will remain at a comfortable level in the medium term as profitability margins will improve in coming quarters with a rise in capacity utilization.

### Weaknesses

#### High Working capital requirement

The working capital management is marked by Gross Current Assets (GCA) of 196 days in FY2020 as against 192 days in FY2019. The company maintains an inventory of around 30 days on an average due to lead time involved in the import of raw-material and extends clean credit of around 30 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 116 days and 30 days in FY20 as against 103 days and 38 days in FY2019, respectively. Acuite believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements.

#### Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Maintenance in capital structure

#### Material Covenant

None

#### Liquidity Position: Adequate

The company has adequate liquidity as net cash accrual stood at Rs 11.28 crore in FY20 as against the current maturity of Rs 3.75 crore. The working capital utilization during the last 6 months ended in July 2020, which stood at around 71 percent. The current ratio stood at 1.32 times in FY20 as against 1.24 times in FY19. However working capital requirement continued to remain high as GCA days stood at 196 days in FY20 as compared to 192 days in FY19. Net worth of the company is expected to improve in medium term because of upcoming right issue of equity share capital which will be utilized to meet future working capital requirement. Acuite expects the liquidity profile of the company will remain at an adequate level in medium term backed by steady cash flow and infusion of equity share capital.

#### Outlook: Stable

Acuite believes that the outlook on MACL will remain 'Stable' over the medium term on account of its promoters' extensive experience and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and improvement in profitability margin. Conversely, the outlook may be revised to 'Negative' in case of sustained deterioration in the financial risk profile and liquidity profile due to a substantial increase in working capital requirement or unplanned debt-led capex plan.

#### About the Rated Entity -

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	281.30	275.61
PAT	Rs. Cr.	5.84	7.33
PAT Margin	(%)	2.08	2.66
Total Debt/Tangible Net Worth	Times	0.66	0.62
PBDIT/Interest	Times	1.84	1.99

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

None

**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>
- 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
29- June-2019	Cash Credit	Long Term	24.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	6.00#	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	8.00@	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	7.00@@	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	15.00###	ACUITE BBB+/Stable (Assigned)
	Letter of Credit	Short Term	20.00**	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	41.00##	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	28.00\$	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Assigned)
23-September-2020	Cash Credit	Long Term	24.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	6.00#	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	8.00@	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	7.00@@	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	15.00###	ACUITE BBB+/Stable (Reaffirmed)

	Letter of Credit	Short Term	20.00**	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	41.00##	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	28.00\$	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Reaffirmed)

#Buyer credit limit of Rs. 20.00 crore within the LC limit of Rs. 20.00 crore

\*\*BG Limit of Rs. 2.00 crore within the overall LC limit of Rs. 20.00 crore

#EPC/FBD/PCFC/WCDL limit of Rs. 6.00 crore within the Cash credit limit of Rs. 6.00 crore

## LOC/LOU/Buyer's credit Limit of Rs. 41.00 crore within the overall LC limit of Rs. 41.00 crore

### Term Loan of Rs 15.00 crores is taken over by Bandhan Bank

@FBD/PCFC limit of Rs. 8.00 crore within the Cash credit limit of Rs. 8.00 crore

@@EPC/FBD/PCFC/WCDL limit of Rs. 7.00 crore within the Cash credit limit of Rs. 7.00 crore

\$ 50% interchangeability from Non fund based limits (LC/BG) to fund based working limits amounting to Rs 15.75 crore.

#### \*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	24.00	ACUITE BBB+/Stable (reaffirmed)
Cash Credit	March 2017	Not Applicable	June 2023	6.00#	ACUITE BBB+/Stable (reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00@	ACUITE BBB+/Stable (reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00@@	ACUITE BBB+/Stable (reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	September 2024	15.00###	ACUITE BBB+/Stable (reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00**	ACUITE A2+ (reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	41.00##	ACUITE A2+ (reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ (reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.00\$	ACUITE A2+ (reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A2+ (reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A2+ (reaffirmed)

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#### Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>  Tonoy Banerjee Rating Analyst Tel: 033-66201206 <a href="mailto:tonoy.banerjee@acuite.in">tonoy.banerjee@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

#### About Acuite Ratings & Research:

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