

Press Release

Manaksia Aluminium Company Limited

January 13, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	105.00		ACUITE A2+ Reaffirmed
Bank Ratings Loan	70.00	ACUITE BBB+ Stable Reaffirmed	
Total	175.00	-	-

Rating Rationale

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

The ratings reflects the company's improved operating performance in H1FY22. The company is expected to register healthy revenue growth along with a significant improvement in profit margin in the current financial year. This improvement will be driven by substantial rise in average realization of aluminum products because of favorable demand scenario. Moreover the financial risk profile is also expected to improve over medium term backed by rise in EBITDA margin. In addition, the company has a diversified geographical presence as MACL caters to domestic and 20 overseas markets. However the ratings are constrained by company's working capital intensive nature of operations.

About the Company

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 is located in Haldia, West Bengal with an installed capacity of 25800 tonnes per annum.

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). ML is the flagship company of the group. Currently the company is managed by Mr. Sunil Kumar Agrawal who has an experience of about three decades in manufacturing of aluminum rolling products. The company has a diversified presence as 74 percent of total revenue comes from overseas

markets such as USA, European and African nations among others. The company caters to

strong customer base in various end-user industries which includes EPC players, OEM and Engineering companies.

Expected improvement in scale of operation

The scale of operation stood flattish in past 2 years ended FY21 as revenue stood at 271.96 Cr in FY21 as against Rs 281.30 Cr in FY20. However the company will register healthy revenue growth in FY22 as the company has clocked a turnover of around Rs. 177 Cr in H1FY22 as against Rs. 118 Cr in H1FY21 and Rs. 147 Cr in H1FY20. The reason for this improvement is driven by a substantial rise in average realization of aluminum products. Acuite believes the scale of operation will improve over the medium term backed by strong demand from domestic market as the Government of India has imposed anti-dumping duty on Chinese aluminum products for next 5 years.

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 stood at Rs.119.59 crore in FY2021 as compared to Rs.111.80 crore in FY2020. The improvement in networth is mainly due to infusion of Rs.10.87 crores quasi equity. There was an addition of unsecured loans which are subordinated to company's external debt which has been treated as quasi equity by Acuite. The gearing of the company stood at 0.83 times as on March 31, 2021 when compared to 0.66 times as on March 31, 2020. TOL/TNW stood at 1.70 times in FY21 as against 1.36 times in FY20 due to rise in debt level. Interest coverage ratio (ICR) had deteriorated to 1.15 times during FY2021 as against 1.84 times in FY 2020 due to decline in profit margin. The debt service coverage ratio stood at 0.94 times in FY2021 as against 1.81 times in FY2020. The net cash accruals against total debt (NCA/TD) stood at 0.03 times in FY21 as against 0.15 times in FY20. Acuite believes the financial risk profile of the company will improve over medium term because of no major debt funded capex along with improvement in profit margin.

Expected improvement in profit margin

The company had witnessed a decline in profitability margin during FY21 as reflected from its EBITDA margin which stood at 5.10 percent in FY21 as against 7.97 percent in FY20 on account of weak performance in H1FY21. The profit margin will improve in FY22 as the company has posted EBITDA margin of 7.23 percent in H1FY22 against 0.76 percent in H1FY21. Acuite believes profitability margin will remain at comfortable level in medium term backed by improvement in average realization.

Weaknesses

High working capital requirement

The working capital management is marked by Gross Current Assets (GCA) of 277 days in FY2021 as against 196 days in FY2020. The company maintains inventory of around 30 days on an average due to lead time involved in import of raw-material and extends clean credit of around 30 days to its customers, resulting in high GCA days. The inventory and debtor days stood at 166 days and 55 days in FY21 as against 116 days and 30 days in FY2020, respectively. Inventory day had increased in FY21 due to accumulation of raw material. Acuite believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements.

Rating Sensitivities

- Healthy revenue growth along with improvement in profitability margin
- Improvement in liquidity profile

Material covenants

None

Liquidity profile: Adequate

The company has a moderate liquidity as reflected from its working capital utilization during the last 12 months ended November 2021, which stood at around 89 percent. The net cash accrual stood at Rs 6.14 crore in H1FY22 as against the debt repayment of around Rs 6 crore. Going forward, the cash accruals are expected to be in the range of Rs. 12-14 Cr as compared to debt repayment of Rs 3-5 Cr from FY2023-24. However working capital requirement continued to remain high as GCA days stood at 277 days in FY21 as compared to 196 days in FY20. Acuité expects the liquidity profile of the company will remain at adequate level in medium term backed by steady cash flow generation.

Outlook : Stable

Acuité 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 substantial increase in working capital requirement or unplanned debt led capex plan.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	271.96	281.30
PAT	Rs. Cr.	(3.16)	5.84
PAT Margin	(%)	(1.16)	2.08
Total Debt/Tangible Net Worth	Times	0.83	0.66
PBDIT/Interest	Times	1.15	1.84

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.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
21 Oct 2020	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	41.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
23 Sep 2020	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	41.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	28.00	ACUITE A2+ (Assigned)
		Long		ACUITE BBB+ Stable

29 Jun 2019	Cash Credit	Term	8.00	(Assigned)
	Cash Credit	Long Term	24.00	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	41.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A2+ Reaffirmed
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ Stable Reaffirmed
IDBI Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A2+ Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE A2+ Reaffirmed
IDBI Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	01-10-2021	9	01-10-2024	11.60	ACUITE BBB+ Stable

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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