

Press Release

Manaksia Aluminium Company Limited

November 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	110.00	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	58.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	67.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	245.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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**) to the Rs.177.00 crore bank facilities of Manaksia Aluminum Company Limited (MACL). The outlook is '**Stable**'.

Acuite has assigned the long- term rating of '**ACUITE BBB+**' (read as **ACUITE BBB plus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) to the Rs.68.00 crore bank facilities of Manaksia Aluminum Company Limited (MACL). The outlook is '**Stable**'.

Rationale for the rating

The ratings reflect the company's strong revenue growth along with improvement in their financial risk profile in FY22 driven by high metal prices and rise in operating margin. Moreover, the company has a diversified geographical presence as it caters to both domestic and overseas markets. However, profit margins in FY22 are still lower than pre-covid level due to high freight costs. The ratings are also constrained by high working capital requirement due to large inventory level. Further, any slowdown in developed markets would remain a rating sensitivity factor as company generates sizeable portion of revenue from the USA and European markets.

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

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced 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 majority of its 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.

Improvement in the scale of operation

The company had registered strong revenue growth of around 60 percent in FY22 in comparison to degrowth in FY21. The growth is driven by rise in average realization of aluminum products and sale volume. The contribution of overseas markets has increased to 79 percent in FY22 as against 74 percent in FY21. GOI has imposed antidumping duty on Chinese aluminum products which will help the company to improve its domestic presence. Acuite believes the scale of operation will remain at similar level over the medium term because of moderation in aluminum prices and current slowdown in certain markets such as USA, UK among others.

Comfortable financial risk profile

The financial risk profile of the MACL is marked by healthy net worth, low gearing and comfortable debt protection metrics. The net worth of the company stood at Rs.127.16 crore in FY2022 as compared to Rs.119.59 crore in FY2021. Acuité has treated unsecured loans of Rs 10.87 Cr as part of networth as the amount is subordinated to bank debt. The gearing of the company stood at 0.91 times as on March 31, 2022 when compared to 0.83 times as on March 31, 2021. TOL/TNW stood at 1.93 times in FY22 as against 1.70 times in FY21 due to rise in debt level. Interest coverage ratio (ICR) had improved to 2.10 times during FY22 as against 1.15 times in FY21 due to improvement in profit margin. The debt service coverage ratio stood at 1.38 times in FY22 as against 0.94 times in FY21. The net cash accruals against total debt (NCA/TD) stood at 0.12 times in FY22 as against 0.03 times in FY21. Acuité 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.

Weaknesses

High working capital requirement

The working capital management is marked by Gross Current Assets (GCA) of 207 days in FY2022 as against 277 days in FY2021. The company maintains inventory of around 130 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 debtor days stood at 35 days in FY22 as against 55 days in FY2021, respectively. Inventory day had declined in FY22 to 131 days from 166 days in FY21 due to higher base effect. However inventory as on 31.03.2022 stood at Rs 146.91 Cr as against Rs 117.60 Cr in FY21. Acuité believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements.

Modest profitability margin

The company has modest profitability margin as reflected from its EBITDA margin which stood at 6.35 percent in FY22 as against 5.10 percent in FY21 and 7.97 percent in FY20. The profit margins have dipped in FY'22 primarily on account of high freight cost due to shortage of containers. RoCE of the company stood at 9.10 percent in FY22 as against 4.15 percent in FY21. Acuite believes profitability margin will improve over the medium term with normalization of freight cost.

Rating Sensitivities

- Sustained revenue growth with significant improvement in profitability margin
- Improvement in liquidity profile

Material covenants

None

Liquidity profile: Adequate

The company has an adequate liquidity as reflected from its net cash accrual which stood at Rs 13.62 crore in FY22 as against the debt repayment of around Rs 7.29 crore. The working capital utilization during the last 12 months ended September 2022, stood at around 83 percent. Going forward, the cash accruals are expected to be in the range of Rs. 14-16 Cr as compared to debt repayment of Rs 8-9 Cr from FY2023-24. However working capital requirement continued to remain high as GCA days stood at 207 days in FY22. Acuite expects the liquidity profile of the company will remain at adequate level in medium term backed by steady cash flow generation.

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 sustained growth in revenue and substantial improvement in profitability margin. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and liquidity profile due to unplanned debt led capex plan.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	436.22	271.96
PAT	Rs. Cr.	7.46	(3.16)
PAT Margin	(%)	1.71	(1.16)
Total Debt/Tangible Net Worth	Times	0.91	0.83
PBDIT/Interest	Times	2.10	1.15

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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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
13 Jan 2022	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.40	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	11.60	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	41.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
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)
	29 Jun 2019	Cash Credit	Long Term	6.00
Bank Guarantee		Short Term	2.50	ACUITE A2+ (Assigned)
Letter of Credit		Short Term	28.00	ACUITE A2+ (Assigned)
Cash Credit		Long Term	8.00	ACUITE BBB+ Stable (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 (BLR)	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+ Stable 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	5.00	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ Stable Assigned
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Stable Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.50	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	42.00	ACUITE A2+ Reaffirmed
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Oct 1 2021 12:00AM	9	Oct 1 2024 12:00AM	5.80	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Jul 30 2021 12:00AM	7.50	Aug 31 2026 12:00AM	0.56	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Jun 2 2022 12:00AM	7.90	Sep 29 2028 12:00AM	0.93	ACUITE BBB+ Stable Reaffirmed
Bandhan Bank	Not Applicable	Term Loan	Mar 29 2021 12:00AM	8.24	Nov 30 2026 12:00AM	3.00	ACUITE BBB+ Stable Reaffirmed
Bandhan Bank	Not Applicable	Term Loan	May 5 2022 12:00AM	8.240	May 5 2028 12:00AM	2.18	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Term Loan	Jan 30 2021 12:00AM	8.80	Feb 28 2026 12:00AM	1.54	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Term Loan	Feb 18 2022 12:00AM	8.750	Feb 1 2028 12:00AM	0.77	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Dec 31 2021 12:00AM	8.300	Feb 28 2026 12:00AM	2.93	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Apr 1 2022 12:00AM	8.30	Sep 12 2028 12:00AM	2.60	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Dec 31 2021 12:00AM	7.95	Mar 5 2026 12:00AM	3.72	ACUITE BBB+ Stable

State Bank of India	Not Applicable	Term Loan	Apr 1 2022 12:00AM	7.950	Jun 2 2028 12:00AM	2.67	Reaffirmed ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Jan 30 2022 12:00AM	7.750	Dec 31 2027 12:00AM	8.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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