

Press Release

Metalloys Recycling Limited

November 21, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) on the Rs.45.00 crore bank facilities of Metalloys Recycling Limited (MRL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating on MRL takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and above average financial risk profile.

About the Company

Incorporated in 1987, MRL is a Mumbai based company promoted by Mr. Ambalal Porwal and Mr. Vijay Mohanlal Porwal, who possess over 3 decades of experience in the industry. The company is engaged in the processing of secondary ferrous and non-ferrous metals, and its main products are copper scrap, aluminum scrap, zinc scrap, brass scrap, magnesium scrap, nickel scrap and blended stainless steel scrap. The products sold by MRL are used as basic raw materials for various copper alloys, various grades of brass, zinc alloys, aluminum alloys, nickel alloys and stainless steel production. MRL's processing unit is located at Kalyan (Thane), and office in Andheri (Mumbai).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MRL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

MRL was incorporated in the year 1987 and has established the presence of over three decades in the metal recycling industry. The company is promoted by Mr. Ambalal Porwal and Mr. Vijay Mohanlal Porwal, who possess over 3 decades of experience in the industry. The extensive experience of the promoters and the established presence of the

company has helped in maintaining healthy relations with reputed customers like Jindal Stainless Limited, Nico Extrusions Limited, among others.

Acuité believes that the company will benefit from its experienced management, longstanding relations with customers over the medium term.

Revenue and profitability

The operating income of the company improved and stood at Rs. 612.80 crore in FY2022 as against Rs.318.40 crore in FY2021. The revenue of the company has improved by ~93 percent in comparison to last year. The reason for improvement in revenue is due to increase in volume produced and increase in value of the product. The operating margin of the company which stood at 2.88 percent in FY2022 as against 3.26 percent in FY2021.

Financial Risk Profile

MRL has above average financial risk profile marked by moderate net worth and moderate debt protection metrics. MRL's net worth stood at Rs. 49.34 Cr as on 31st March 2022 as against Rs. 45.23 Cr as on 31st March 2021. Gearing levels (debt-to-equity) stood at 0.87 times as on March 31, 2022 as against 0.68 in FY 2021 and Total outside liabilities to total net worth (TOL/TNW) stood at 1.14 times as on FY2022 vis-à-vis 0.83 times as on FY2021. Further, Debt-EBITA increased and stood at 3.88 times as on 31st March 2022 as against 2.76 times as on 31st March 2021. The coverage indicators of the company stood comfortable as is apparent from the interest coverage ratio which comfortable at 3.13 times for FY2022 as against 3.48 times in FY2021 and Debt service coverage ratio which moderated and stood at 1.39 times in FY2022 as compared to 1.76 times in FY2021.

Working capital operations

MRL has moderate working capital requirements as evident from gross current assets (GCA) of 57 days in FY2022 as compared to 85 days in FY2021. Debtor days have decreased marginally to 18 days in FY2022 as against 19 days in FY2021. Inventory days have decreased to 24 days in FY2022 as against 43 days in FY2021 Working capital limits were utilized at moderate level of ~59 per cent during the last Six months ended September 2022. Further, the current ratio of MRL stood at 2 times as on March 31, 2022.

Weaknesses

Customer concentration risk

The company faces a customer and supplier concentration risk. About ~ 32 per cent of the total sales and ~57 percent of the total purchases are derived from Nico Extrusions Limited for the period ended FY2022. However, reputed clientele, long-standing relationship and recurring flow of orders from key customers reduce concentration and counterparty risk to a certain extent.

Intense Competition and Volatility in Raw Material Prices

The industry remains fragmented and unorganized due to presence of various players with limited differentiation in end products. The industry is also exposed to cyclical and volatility of raw material prices.

Rating Sensitivities

Sustaining the scale of operations and improving the profitability margins leading to improvement in overall financial risk profile.

Any further stretch in the working capital cycle and liquidity profile of the firm.

Material covenants

None

Liquidity Position

Adequate

MRL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Company generated cash accruals of Rs. 5.45 crore for FY2022 as against Rs. 2.94 crore of repayment obligations for the same period. Current Ratio stood at 2 times as on 31 March 2022 as against 2.44 times in the previous year. The working capital limits are utilized at ~59 per cent during the last Six months providing additional cushion to meet the

contingencies. Therefore, company has adequate liquidity to meets its requirements.

Outlook: Stable

Acuite believes that MRL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and higher-than-expected improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher than expected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	612.80	318.40
PAT	Rs. Cr.	4.11	4.36
PAT Margin	(%)	0.67	1.37
Total Debt/Tangible Net Worth	Times	0.87	0.68
PBDIT/Interest	Times	3.13	3.48

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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
24 Jan 2022	Cash Credit	Long Term	24.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Proposed Bank Facility	Long Term	3.73	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	3.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	5.77	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
04 Dec 2020	Proposed Bank Facility	Long Term	23.92	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.58	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
02 Nov 2020	Cash Credit	Long Term	3.58	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	10.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	7.50	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Long Term	23.92	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
08 Aug 2019	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	3.58	ACUITE B+ Stable (Assigned)
	Proposed Bank Facility	Long Term	23.92	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BB+ Stable Reaffirmed
Deutsche Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.77	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.50	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.23	ACUITE BB+ Stable Reaffirmed

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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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