



Press Release
Metalloys Recycling Limited
May 17, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BBB- Negative Assigned	-
Bank Loan Ratings	45.00	ACUITE BBB- Negative Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	81.00	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 45 crore bank facilities of Metalloys Recycling Limited (MCL). The outlook remains '**Negative**'.

Further, ACUITE has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 36 crore bank facilities of Metalloys Recycling Limited (MCL). The outlook is '**Negative**'.

Rationale for Reaffirmation

The rating factors steady business risk profile and healthy financial risk profile. In FY2024, the revenues were at Rs. 429.55 crore (Provisional) and in FY2023, it was at Rs. 567.31 crore. The lower demand for MS Scraps from China, slippage of prices in FY2024, and global price corrections are the causes of the revenue decline. However, the company is in the process of merging with Nico Extrusions Limited which is in related business and the merger scheme has been submitted to National Company Law Tribunal (NCLT) in March 2024. This is expected to boost the present business risk profile and aid in scaling up the operations. The profitability of the company also declined from 1.16 percent in FY2024 (Provisional) from 1.24 percent in FY2023. The rating further draws comfort from healthy financial risk profile characterized by low gearing and comfortable debt protection metrics. Furthermore, the company's liquidity position continues to remain adequate backed by steady accruals, moderate current ratio and absence of any major debt funded capex plans. The rating draws benefit from the management's extensive experience in the scrap recycling sector and established relationship with customers and suppliers. However, the rating is constrained by working capital-intensive nature of the business and presence in the cyclical steel industry leading to pressure on margins.

About the Company

Incorporated in 1987, MRL is a Mumbai based company promoted by Mr. Ambalal Porwal and Mr. Vijay Mohanlal Porwal, who possesses 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, aluminium 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, aluminium

alloys, nickel alloys and stainless-steel production. MRL's processing unit is located at Kalyan (Thane), and office in Andheri (Mumbai).

Present directors of the company are Mr. Ambalal Mohanlal Porwal, Mr. Vijay Mohanlal Porwal, Mr. Shernikkumar Ranjitmalji Shah, Mr. Ratan Lal Narayan Jain, and Mrs. Nirmla Vijay Porwal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of MRL to arrive at the rating.

Key Rating Drivers

Strengths

Benefits derived from experience management

MRL is being promoted by Mr. Ambalal Mohanlal Porwal, Mr. Vijay Mohanlal Porwal, Mr. Shernikkumar Ranjitmalji Shah, Mr. Ratan Lal Narayan Jain, and Mrs. Nirmla Vijay 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 and suppliers. Acuité believes that MRL will benefit from its experienced management.

Healthy financial Risk Profile

MRL has healthy financial risk profile marked by comfortable capital structure and debt protection metrics. MRL's net worth stood at Rs. 56.35 crore as on FY2023 as against Rs. 49.34 crore as on FY2022 due to small but steady accruals. Gearing levels (debt-to-equity) weakened slightly but remained below unity at 0.95 times in FY2023 as against 0.87 times in FY2022 due to higher short-term borrowings and Total outside liabilities to total net worth (TOL/TNW) stood at 1.46 times as on FY2023 compared to 1.14 times as on FY2022. Further, Debt-EBDITA has slightly decreased and stood at 3.41 times in FY2023 as against 3.88 times on FY2022. The coverage indicators of the company stood comfortable as indicated from the interest coverage ratio at 3.39 times for FY2023 as against 3.13 times in FY2022 and also Debt Service Coverage Ratio has slightly improved and stood at 1.85 times in FY2023 as compared to 1.39 times in FY2022. Acuité believes that going forward, the financial risk profile of the MRL will continue to remain healthy.

Weaknesses

Increasing Working Capital Operations

MRL has increasing working capital cycle as reflected from 84 days of GCA days in FY2023 as against 56 days in FY2022. Inventory days have increased to 57 days in FY2023 as against 24 days in FY2022, mainly because MRL deals in mix scraps which take more time to convert into final product and Company avails raw materials from various sources to avail better pricing. Debtor days have slightly increased to 20 days in FY2023 as compared to 18 days in FY2022. Further, Creditor days of MRL have increased to 15 days in FY2023 as compared to 1 day in FY2022 due to year-end procurement. The working capital limits were utilized at ~ 95 percent on consolidated basis for 6 months ended March 2024 and current ratio stood comfortably at 1.72 times for FY2023. Acuité believes that the working capital requirement is likely to remain at similar levels over the medium term.

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 cyclicity and volatility of raw material prices. Such volatility leads to pressures on profitability margins as is reflected from operating margin of 2.64 percent in FY2023 compared to 2.88 percent in FY2022 and 3.26

percent in FY2021. Acuité believes that the operating margin would continue to remain susceptible to changes in volatility of pricing of raw materials as well as competition in the steel industry.

Rating Sensitivities

- Timely merger with Nico Extrusion Limited
- Improvement in scale of operations & profitability
- Working capital cycle

Liquidity Position Adequate

MRL's liquidity is adequate backed by its Net Cash Accruals (NCA) of Rs. 8.35 crore as against Long-Term Debt Repayment of Rs. 2.62 crore in FY2023. Additionally, the Current Ratio stood comfortably at 1.72 times in FY2023 as against 2.00 times in FY2022. The working capital limits are utilized ~ 95 percent on consolidated basis for 6 months ended March 2024. The unencumbered cash and bank balance stood at Rs. 2.66 crore as on FY2023. Acuité expects liquidity profile of the company to remain adequate due to sufficient accruals, moderate current ratio, and absence of any major debt laden capex plan over the medium term.

Outlook: Negative

Acuité believes that the company, will maintain a 'Negative' outlook over the medium term due to declining topline and elongation of working capital cycle. The outlook may be revised to 'Stable' 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 rating may be downgraded in case of a further decline in revenues and operating profit margins or weakening of liquidity profile on account of further elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	567.31	612.80
PAT	Rs. Cr.	7.01	4.11
PAT Margin	(%)	1.24	0.67
Total Debt/Tangible Net Worth	Times	0.95	0.87
PBDIT/Interest	Times	3.39	3.13

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

Not Applicable

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
26 Apr 2024	Cash Credit	Long Term	7.50	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	5.77	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	24.50	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
	Cash Credit	Long Term	7.23	ACUITE BBB- Negative (Reaffirmed (Stable to Negative))
01 Feb 2023	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	5.77	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	24.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	7.23	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
21 Nov 2022	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.77	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	24.50	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	7.23	ACUITE BB+ Stable (Reaffirmed)
24 Jan 2022	Cash Credit	Long Term	3.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Proposed Long Term Bank Facility	Long Term	3.73	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	24.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	5.77	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Upgraded from ACUITE BB- Stable)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB- Negative Reaffirmed
Deutsche Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.77	ACUITE BBB- Negative Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.50	ACUITE BBB- Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.23	ACUITE BBB- Negative Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.27	ACUITE BBB- Negative Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.10	ACUITE BBB- Negative Assigned
Deutsche Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.63	ACUITE BBB- Negative Assigned
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.00	ACUITE BBB- Negative 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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