

Manaksia Aluminium Company Limited (Revised)

April 18, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/A4+; ISSUER NOT COOPERATING [Double B Plus; Outlook: Stable / A Four Plus ISSUER NOT COOPERATING] assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) with immediate effect. The above action has been taken at the request of MACL and 'No Objection Certificate' received from the bank that has extended the facility rated by CARE Ratings Ltd. Furthermore, CARE Ratings Ltd. has withdrawn the rating assigned to certain bank facility of MACL with immediate effect, as the company has repaid the facility in full and there is no amount outstanding under the facility as on date.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: MACL is looked after by Mr. Sunil Kr. Agrawal who has an experience of about three decades in manufacturing and factory administration for aluminium rolled products. He is well supported by Mr. Vineet Agrawal in managing day to day operations of the company who also looks into the marketing function of the company. The other promoter directors i.e. Mr. Basudeo Agrawal (father of Mr. Vineet Agrawal) and Mr. Anirudha Agrawal (son of Mr. Sunil Kr. Agrawal) are also involved into the overall management of the company.

Stable financial performance in FY20 albeit losses in 9MFY21

The company reported a TOI of Rs.281.29 crore in FY20 (A) vis-à-vis Rs.275.61 crore in FY19 (A). PBILDT margin stood at 7.08% in FY20 (A) as against 5.82% in FY19 (A). Interest coverage stood at 1.58x in FY20 vis-a-vis 1.77x in FY19. The company reported gross cash accruals of Rs.10.56 crore as against debt repayment obligations of Rs.0.21 crore. In 9MFY21, the company reported loss of Rs.5.81 crore on a total operating income of Rs.183.34 crore. Further, deferment of interest on cash credit facility and moratorium in respect of term loan was availed by the company from March, 2020 onwards as per the Covid-19 Regulatory Package announced by the Reserve Bank of India.

Reducing geographical concentration risk

MACL revenue is mainly driven by exports to overseas countries such as Nigeria, USA, UAE, etc. Its export revenue forms about ~68% of total sales in FY19 (61% in FY18). However in FY19, the company's major export sales were made to USA.

Key Rating Weaknesses

Moderation in financial risk profile on account of debt laden capex

The company's overall gearing moderated from 0.87x as on Mar 31, 2018 to 1.18x as on Mar 31, 2019 on account of availment of term loan and unsecured loan for the capex along with higher utilization of working capital limits. Total debt to GCA also moderated from 12.77x in FY18 to 15.15x in FY19 due to increase in debt levels. MACL's overall gearing and debt protection metrics deteriorated to 1.32x and 16.15x as on Sep 30, 2019.

Delay in commercial operations of additional caster unit

The expected COD for the additional caster plant (7,800 tpa) was April, 2019 earlier and the debottlenecking of the existing rolling mill for which various machines are to be installed was expected to commence by June, 2019. However, due to various operational issues related to machinery defect and subsequent replacement, the commercial production of caster unit got delayed and commenced from December 08, 2019. The debottlenecking of the existing rolling mill is expected to commence

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

operations from March, 2020 onwards. The company has incurred around Rs.20.80 crore (out of total project cost of Rs.24.61 crore) on the project till October 30, 2019. The implementation of the aforesaid project is expected to improve capacity utilisation (CU) of rolled products (CU: 64% in FY19).

Profitability susceptibility to volatility in prices of raw materials

Raw material expense is the major cost driver for MACL and forms about ~71% of total cost of sales in FY20 (78% in FY19). The major raw material is Aluminium Scrap. Since the raw material is the major cost driver and raw material prices are volatile in nature, the profitability margin of the company is susceptible to fluctuation in raw material prices.

Exposure to forex fluctuation risk

MACL imported about ~92% of its raw-material requirement (mainly aluminium scrap) in FY19. Furthermore, MACL has a large presence in export market. On an overall basis, the exports receivables get offset with import payables to a large extent. In view of this, the company has a flexible forex hedging policy and generally partially hedges it forex exposure through forward cover. In FY19, MACL reported forex gain of Rs.1.63 crore as against Rs.1.07 crore in FY18.

Working capital intensive nature of operations

MACL's operation is working capital intensive in nature as it needs to provide certain credit period to its customers in view of general practice in the industry and stock raw material inventories due to lead time involved in import of raw-material (2.5 months from overseas port to factory). The company's operating cycle stood at 65 days in FY20 (88 days in FY19).

Analytical approach: Standalone

Applicable Criteria

Policy on Withdrawal of Ratings
 Policy in respect of Non-cooperation by issuer
 CARE's Policy on Default Recognition
 Financial ratios – Non-Financial Sector
 Rating Methodology-Manufacturing Companies
 Criteria for Short Term Instruments
 Complexity Level of Rated Instruments

About the Company

Manaksia Aluminium Co. Ltd. (MACL) was incorporated on March 25, 2010. It was a dormant company till October 1, 2013 when the aluminium division of Manaksia Ltd. (ML) was transferred to it under the scheme of demerger. The company is engaged in manufacturing of secondary aluminium rolled products like Pre-Coated Coil & Sheet alongwith Colour Coated Coil & Sheet with an installed capacity of 18,000 tpa at Haldia in West Bengal. The company also has a plant at Bankura which is not currently operational. The products are widely used in the construction and transportation sector, fan industry, automobiles, consumer durable sector etc.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total operating income	281.29	275.39	307.80
PBILDT	19.91	14.35	20.29
PAT	5.84	(3.25)	5.66
Overall gearing (times)	0.66	1.01	NA
Interest coverage (times)	1.58	1.12	NA

A: Audited UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	Already paid off	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (18-Apr-22) 2)Withdrawn (18-Apr-22)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Feb-21) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)
2	Non-fund-based - ST-BG/LC	ST	-	-	1)Withdrawn (18-Apr-22) 2)CARE A4+; ISSUER NOT COOPERATING* (18-Apr-22)	-	1)CARE A4+; ISSUER NOT COOPERATING* (26-Feb-21) 2)CARE A3; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE A3+ (08-Jan-20) 2)CARE A3+ (03-Apr-19)
3	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (18-Apr-22)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Feb-21) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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