

## Manaksia Coated Metals and Industries Limited

November 18, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	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Reaffirmed at CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn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ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
<b>Total bank facilities</b>	<b>0.00</b> <b>(₹ Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4; Issuer Not Cooperating' [Double B Plus; Outlook: Stable/A Four; Issuer Not Cooperating] assigned to the bank facilities of Manaksia Coated Metals and Industries Limited (MCMIL) with immediate effect. The above action has been taken at the request of MCMIL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings.

CARE Ratings had, vide its press release dated May 20, 2022, continued the ratings of MCMIL under the 'Issuer non-cooperating' category. MCMIL has not provided information for monitoring of the rating and continues to be non-cooperative despite requests for submission of information including through e-mail dated November 9, 2022. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of the best available information which however, in CARE Rating's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

### Detailed description of the key rating drivers

At the time of last rating on May 20, 2022, the following were the strengths and weaknesses (updated for the information available from stock exchange filings):

#### Key Rating Weaknesses

**Moderate capital structure and debt protection metrics:** The capital structure remains moderate with overall gearing at 1.61x as on March 31, 2022 (1.47x as on March 31, 2021). Total debt outstanding increased as on March 31, 2022 on account of increase in working capital utilisation. With increase in total debt, Total Debt/GCA increased to 9.99x as on March 31, 2022 as against 9.09x as on March 31, 2021. Interest coverage remained stable at 1.81x in FY22 (1.83x in FY21).

**Slower than envisaged ramping up of galvanization unit:** MCMIL had set up a galvanization plant with an installed capacity of 1,08,000 tonne per annum (tpa) at its existing plant at Kutch, Gujarat at a cost of ₹94.13 crore. The project was commissioned on March 30, 2018. However, the galvanization plant operated at a low level of 20% in FY19.

**Profitability susceptible to volatility in the prices of raw materials:** The raw material expense is the major cost driver for MCMIL, forming about 70-80% of the total cost of sales. Given that the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices.

**Exposure to foreign exchange fluctuation risk:** As the company has a practice of partial hedging of forex exposure through forward cover, its profitability is susceptible to volatility in foreign exchange fluctuations. The company reported forex gain of ₹6.93 crore in FY22 (₹1.64 crore in FY21).

**Working capital intensive nature of operations:** MCMIL procures raw materials at the market rate mainly from domestic sources and partly from the international market. The company need to stock inventories due to lead time involved in

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

procurement of raw-material and provide certain credit period to its customers in view of general practice in the industry. This leads to higher working capital requirement of the company.

**Moderation in profitability margins in FY22:** In FY22, the total operating income (TOI) witnessed a growth of 46% y-o-y compared with FY21. However, PBILDT margin decreased to 6.39% in FY22 compared with 7.84% in FY21.

In H1FY23, TOI witnessed a de-growth of 22.2% y-o-y. PBILDT margin, though witnessed an improvement from 4.35% in H1FY22 to 5.13% in H1FY23, continued to remain lower than FY22 margin.

### Key Rating Strengths

**Experienced promoters:** MCMIL is promoted by Mr Sushil Kr. Agrawal. He has an experience of more than three decades in steel industry. He looks after the day-to-day operations of the company along with the support from his son (Mr Karan Agrawal) and his brother (Mr Sunil Kr. Agrawal).

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of ratings](#)

### About the Company

MCMIL was incorporated on March 25, 2010 and was a dormant company till October 01, 2013 when the coated metal division and mosquito coil division of Manaksia Ltd (ML) were transferred to it under the scheme of demerger. MCMIL has a colour coating capacity of 39,000 tpa in Kutch, Gujarat and the company commissioned galvanization plant with annual capacity of 1,08,000 TPA on March 30, 2018.

Brief Financials of MCMIL (₹crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total Operating Income	447.42	654.66	287.85
PBILDT	35.07	41.84	14.78
PAT	6.45	8.95	1.69
Overall gearing (times)	1.47	1.61	NA
Interest coverage (times)	1.83	1.81	1.25

A: Audited; UA: Unaudited; NA: Not Available

**Status of non-cooperation with previous CRA:** Infomeric has conducted the review based on best available information and has classified MCMIL as "Non-cooperating" vide its press release dated October 29, 2021.

**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 Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2022	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	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 (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-May-22)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (25-Mar-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Jan-20) 2)CARE BBB; Stable (07-Jun-19)
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (20-May-22)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (25-Mar-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Jan-20) 2)CARE BBB; Stable (07-Jun-19)
3	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (20-May-22)	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Mar-21)	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-20) 2)CARE A3 (07-Jun-19)

*\*Issuer did not cooperate; Based on best available information*

**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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Bank Lender Details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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