

Manaksia Coated Metals and Industries Limited

May 20, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	86.10	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	85.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	171.10 (Rs. One Hundred Seventy-One Crore and Ten Lakh Only)		

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated March 25, 2021, continued the ratings of Manaksia Coated Metals and Industries Limited (MCMIL) under the 'issuer non-cooperating' category as MCMIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MCMIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 28, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'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 rating.

Detailed description of the key rating drivers

At the time of last rating on March 25, 2021, the following were the rating 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 remained moderate in FY21 as compared with FY20 with stable overall gearing ratio of 1.48x as on March 31, 2021. The debt coverage indicators, though witnessed an improvement in FY21, continued to remain moderate with Total Debt/GCA at 9.15x as on March 31, 2021 (12.66x as on March 31, 2020) and interest coverage at 1.75x in FY21 (1.58x in FY20).

In FY22, interest coverage stood at 1.51x.

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 Rs.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 Rs.1.64 crore in FY21 vis-à-vis forex loss of Rs.0.99 crore in FY20.

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 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.

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

*Issuer did not cooperate; Based on best available information

Moderation in profitability margins in FY21 and FY22

In FY21, the total operating income (TOI) witnessed a growth of 81% y-o-y. However, the PBILDT margin declined to 7.50% from 10.89% in FY20 on account of increase in cost of materials. PAT margin also declined with increase in finance cost.

In FY22 (Abridged), the TOI witnessed a growth of 45% y-o-y compared with FY21. However, PBILDT margin continued to decline and stood at 5.39% in FY22.

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](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial Ratios - Non Financial Sector](#)

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 (Rs. Crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Abridged)
Total Operating Income	245.85	445.78	647.73
PBILDT	26.78	33.43	34.92
PAT	4.88	6.45	8.95
Overall gearing (times)	1.48	1.48	NA
Interest coverage (times)	1.58	1.75	1.51

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Infomerics 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 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-Term Loan		-	-	December 2022	36.10	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	85.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	36.10	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	-	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	50.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	-	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	85.00	CARE A4; ISSUER NOT COOPERATING *	-	-	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: NA**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 for this Company

To 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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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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