

Manaksia Aluminium Company Limited

April 03, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities (Term Loan)	15.00	CARE BBB, Stable (Triple B, Outlook: Stable)	Assigned
Long Term Bank Facilities (Fund Based)	45.00	CARE BBB, Stable (Triple B, Outlook: Stable)	Reaffirmed
Short Term Bank Facilities (Non Fund Based)	105.00	CARE A3+ (A Three Plus)	Reaffirmed
Total	165.00 (Rs. One Hundred Sixty Five Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) continues to draw comfort from experienced promoters, reduced revenue concentration to Nigeria, improvement in financial performance in FY18 (refer to the period from April 1 to March 31) & 9MFY19 and stable financial risk profile. The ratings, however, are constrained by risk associated with implementation of the project, profitability susceptible to volatility in prices of raw-materials, exposure to foreign exchange fluctuations and working capital intensive nature of operations.

Going forward, the ability of the company to increase scale of operations, improve profitability, timely completion of the project and deriving benefits therefrom as envisaged alongwith efficient management of working capital would remain the key rating sensitivities.

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 and also helps in marketing function. 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.

Reduced revenue concentration to Nigeria: MACL's exports revenue was mainly driven by supply of its Aluminium rolled products to its group company based in Nigeria (i.e., MINL Limited). But its share of export turnover from Nigeria fell from 41% in FY17 to 16% in FY18 mainly due to increased off-take of its end product in the domestic market and entry into European countries along with increase in exports to US countries. On absolute basis the sales in the domestic market has almost doubled to Rs.85 crore in FY18 as against Rs.47 crore in FY17.

Improvement in financial performance in FY18 & 9MFY19: Total operating income of the MACL declined by 4.40% y-o-y to Rs.227.91 crore in FY18. However, PBILDT margin improved from 1.71% in FY17 to 5.33% in FY18 mainly due to increase in aluminum prices in the international market. Higher PBILDT coupled with relatively lower interest cost led to improvement in interest coverage ratio from 0.58x in FY17 to 1.76x in FY18. The company earned GCA of Rs.6.76 crore as against term debt repayment of Rs.8.00 crore. The shortfall in the term debt repayment was made out of unsecured loan of Rs.3.00 crore infused by the promoters and promoter group companies.

Total operating income improved by ~11% y-o-y to Rs.203.73 crore in 9MFY19. PBILDT margins improved from 4.58% in 9MFY18 to 6.17% in 9MFY19 mainly due to better realisations of aluminium rolled products and better absorption of fixed costs overheads. The company earned GCA of Rs.6.80 crore in 9MFY19 vis-à-vis Rs.5.43 crore in 9MFY18

Stable financial risk profile: The capital structure of the company was stable at 0.87x as on Mar 31, 2018 (0.91x as on Mar 31, 2017) mainly due to repayment of term loan and accretion of profit to reserves. Total Debt/GCA, though improved, continued to remain high at 12.76x in FY18.

Key Rating Weaknesses

Risk associated with implementation of the project: MACL had undertaken a capex of setting up of an additional caster plant (company is already running 2 caster plants) with an installed capacity of 7,800 tpa and debottlenecking of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

aluminium rolled products facilities of 18,000 tpa at a total project cost of Rs.24.53 crore which is proposed to be funded in a debt-equity ratio of 1.57:1. The term loan of Rs.15 crore has already been sanctioned by Yes Bank Limited. The expected COD for the caster plant is by April, 2019 (the trial run of which was already started in Q4FY19). The debottlenecking of the existing rolling mill for which various machines are to be installed is expected to commence by June, 2019. The company has incurred Rs.11.84 crore on the project till March 5, 2019.

Profitability susceptible to volatility in the prices of raw materials: Raw material expense is the major cost driver for MACL and formed ~77% of the total cost of sales for FY18 (as against ~82% in FY17). Given 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 volatility in prices of raw-materials.

Exposure to foreign exchange fluctuation risk: MACL imported about ~98% of its raw-material requirement (mainly aluminium scrap) in FY18. 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 its forex exposure through forward cover. In FY18, MACL reported forex gain of Rs.1.07 crore as against Rs.2.24 crore in FY17.

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 inventories due to lead time involved in import of raw-material. The working capital requirement of the company is mainly financed through a mix of creditors and bank borrowings.

Liquidity

The liquidity position of the company was moderate as evident from average month end utilization of ~82% during the past nine months ending November 2018. Current ratio of MACL was stable at 1.25x in FY18 as against 1.21x in FY17. MACL had free cash and bank balance of Rs.2.17 crore as on March 31, 2018 and Rs.2.67 crore as on Sep 30, 2018. The company had support in the form of unsecured loan from its group company MINL Limited for servicing its debt obligations in FY18.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

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. MACL manufactures aluminium rolled products in coil and sheet form. The products are widely used in the construction and transportation sector, fan industry, automobiles, consumer durable sector etc. The company has a manufacturing capacity of 36,000 tpa

which includes 18,000 tpa of Aluminium caster and 18,000 tpa of Aluminium rolled products at its plant located at Bankura and Haldia in West Bengal.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	238.39	227.91
PBILDT	4.09	12.15
PAT	(5.35)	1.24
Overall gearing (times)	0.91	0.87
Interest coverage (times)	0.58	1.76

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Ishan Marda

Tel: #033-40181600

Email: ishan.marda@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	105.00	CARE A3+
Fund-based - LT-Term Loan	-	-	June 2024	15.00	CARE BBB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)	1)CARE BBB; Stable (18-Jan-17) 2)CARE A- (13-May-16)	1)CARE A- (05-Jan-16) 2)CARE A (09-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)	1)CARE BBB; Stable (18-Jan-17) 2)CARE A- (13-May-16)	1)CARE A- (05-Jan-16) 2)CARE A (09-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	105.00	CARE A3+	1)CARE A3+ (04-Jan-19)	1)CARE A3+ (05-Jan-18)	1)CARE A3+ (18-Jan-17) 2)CARE A2+ (13-May-16)	1)CARE A2+ (05-Jan-16) 2)CARE A1 (09-Apr-15)
4.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (05-Jan-16) 2)CARE A1 (09-Apr-15)
5.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB; Stable	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com