

Manaksia Aluminium Company Limited

August 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities (Term Loan)	15.00	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BBB; Stable (Triple B; Outlook: Stable) on the basis of best available information
Long Term Bank Facilities (Fund Based)	45.00	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BBB; Stable (Triple B; Outlook: Stable) on the basis of best available information
Short Term Bank Facilities (Non Fund Based)	105.00	CARE A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE A3+ (A Three Plus) on the basis of best available information
Total	165.00 (Rs. One Hundred Sixty Five Crore Only)		

Details of instruments/facilities in Annexure-1

For classification of instruments/facilities please refer to Annexure-3

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from MACL to monitor the ratings vide e-mail communications dated August 17, 2020, August 19, 2020 and August 20, 2020 and numerous phone calls. Further, CARE has also received email from the client dated May 28, 2020 wherein the company has expressed unwillingness to share any document. Hence, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on MACL's bank facilities will now be denoted as **CARE BBB-; Stable; ISSUER NOT COOPERATING*/CARE A3; ISSUER NOT COOPERATING***.

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

The revision in ratings assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) is on account of losses reported in Q1FY21, lack of adequate information and hence the uncertainty around its credit risk. The ratings draws strength from experienced promoters, stable financial performance in FY20 (refer to the period from April 1 to March 31) and reducing geographical concentration risk. The ratings however, are constrained by moderation in financial risk profile on account of debt laden capex, delay in commercial operations of additional caster unit, profitability susceptible to volatility in prices of raw-materials, exposure to foreign exchange fluctuations and working capital intensive nature of operations.

Detailed description of the key rating drivers

At the time of last rating on December 31, 2019 the following were the rating strengths and weaknesses (updated for the information available from stock exchange, banker interaction):

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.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Stable financial performance in FY20 albeit losses in Q1FY21

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.9.65 crore as against debt repayment obligations of Rs.0.21 crore. In Q1FY21, the company reported loss of Rs.8.81 crore on a total operating income of Rs.51.82 crore.

Further, deferment of interest on cash credit facility and moratorium in respect of term loan is being 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 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 its 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 in respect of Non-cooperation by issuer](#)

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

[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)	FY19 (A)	FY20 (A)
Total operating income	275.61	281.29
PBILDT	16.05	19.91
PAT	7.33	5.84
Overall gearing (times)	1.18	NA^
Interest coverage (times)	1.77	1.58

A: Audited ^Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	105.00	CARE A3; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Dec 30, 2024	15.00	CARE BBB-; Stable; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)	1)CARE BBB; Stable (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)
3.	Non-fund-based - ST-BG/LC	ST	105.00	CARE A3; ISSUER NOT COOPERATING*	-	1)CARE A3+ (08-Jan-20) 2)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Jan-19)	1)CARE A3+ (05-Jan-18)
4.	Fund-based - LT-Term Loan	LT	15.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)	-	-

*Issuer did not cooperate; based on best available information

Annexure-3: Complexity Level of Rated Instruments

Sr. No.	Name of the 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

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

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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.

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