

## Manaksia Coated Metals & Industries Limited

January 03, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	86.10	<b>CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B plus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer Not Cooperating; Revised from CARE BBB; Stable (Triple B; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	85.00	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)</b>	Issuer Not Cooperating; Revised from CARE A3 (A Three) on the basis of best available information
<b>Total</b>	<b>171.10 (Rs. One Hundred Seventy One Crore and Ten Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Manaksia Coated Metals & Industries Limited (MCMIL) to monitor the rating vide e-mail dated July 12, 2019, September 23, 2019, October 30, 2019, November 05, 2019 and a letter dated November 29, 2019 along with numerous phone calls. However, 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. Further, MCMIL has also not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on MCMIL's bank facilities will now be denoted as **CARE BB+; Stable/CARE A4; 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 rating.***

The revision in ratings assigned to the bank facilities of Manaksia Coated Metals & Industries Limited (MCMIL) is due to lack of adequate information and hence the uncertainty around its credit risk. The ratings are constrained by slower than envisaged ramping up of galvanization plant, deterioration in capital structure and debt protection metrics in FY19 (refers to the period from April 01 to March 31), profitability susceptible to volatility in the prices of raw materials, exposure to foreign fluctuation risk and working capital intensive nature of operation. However, the above ratings draws strength from experience of the promoter and stable financial performance in FY19 & H1FY20.

### Detailed description of the key rating drivers

*At the time of last rating on June 07, 2019 the following were the rating strengths and weaknesses (updated for the information available from banker and stock exchange etc):*

***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).

***Stable financial performance in FY19 & H1FY20:*** MCMIL's reported total operating income of Rs.251.04 crore in FY19 vis-à-vis Rs.230.84 crore in FY18. PBILDT margin improved from 7.20% in FY18 to 9.13% in FY19. However, interest coverage ratio deteriorated from 3.11x in FY18 to 1.67x in FY19. The company reported GCA of Rs.11.91 crore vis-à-vis debt repayment of Rs.6.57 crore in FY19.

In H1FY20, the company reported PBILDT of 13.08 crore on total operating income of Rs.108.88 crore. Interest coverage ratio deteriorated to 1.52x and the company reported GCA of Rs.5.28 crore.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

### Key Rating Weaknesses

**Deterioration in capital structure & debt protection metrics:** Overall gearing and Total debt/GCA of the company has deteriorated from 1.79x and 13.97x respectively as on March 31, 2018 to 2.17x and 16.30x respectively as on March 31, 2019.

**Slower than envisaged ramping up of galvanization unit:** MCMIL had set up a galvanization plant with an installed capacity of 1,08,000 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 77% of the total cost of sales for FY19 (as against 79% in FY18). 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.1.15 crore in FY19 as against loss of Rs.0.26 crore in FY18.

**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. The average utilization of the working capital facilities stood at ~90% during the last 12 months ended November 2019. However, there were past instances of devolvement of LC's which were subsequently regularized within 30 days.

**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](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

### About the Company

Manaksia Coated Metals & Industries Ltd (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 has on March 30, 2018 commissioned galvanization plant with annual capacity of 1,08,000 tpa.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	230.84	251.04
PBILDT	16.62	22.92
PAT	2.78	0.27
Overall gearing (times)	1.79	2.17
Interest coverage (times)	3.11	1.67

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

**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-Term Loan	-	-	December, 2022	36.10	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	85.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information

*\*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	36.10	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information	1)CARE BBB; Stable (07-Jun-19)	1)CARE BBB+; Stable (02-Jan-19)	1)CARE BBB+; Stable (05-Dec-17)	1)CARE BBB+; Stable (18-Jan-17) 2)CARE A- (13-May-16)
2.	Fund-based - LT-Cash Credit	LT	50.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable on the basis of best available information	1)CARE BBB; Stable (07-Jun-19)	1)CARE BBB+; Stable (02-Jan-19)	1)CARE BBB+; Stable (05-Dec-17)	1)CARE BBB+; Stable (18-Jan-17) 2)CARE A- (13-May-16)
3.	Non-fund-based - ST-BG/LC	ST	85.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	1)CARE A3 (07-Jun-19)	1)CARE A3+ (02-Jan-19)	1)CARE A3+ (05-Dec-17)	1)CARE A3+ (18-Jan-17) 2)CARE A2+ (13-May-16)

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

### Contact us

#### Media Contact

Mradul Mishra  
Contact no. – +91-22-6837 4424  
Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

#### Analyst Contact

Ishan Marda  
033 4018 1604  
[Ishan.marda@careratings.com](mailto:Ishan.marda@careratings.com)

#### Relationship Contact

Lalit Sikaria  
033 4018 1607  
[lalit.sikaria@careratings.com](mailto:lalit.sikaria@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**