

Manaksia Coated Metals & Industries Limited

June 07, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	86.10	CARE BBB; Stable (Triple B, Outlook: Stable)	Revised from CARE BBB+; Stable (Triple B Plus, Outlook: Stable)
Short term Bank Facilities	85.00	CARE A3 (A Three)	Revised from CARE A3+ (A Three Plus)
Total Facilities	171.10 (Rs. One Hundred Seventy One Crore and Ten Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Manaksia Coated Metals & Industries Limited (MCMIL) take into consideration the deterioration in capital structure & debt protection metrics in FY19 (refers to the period from April 1 to March 31). The ratings continue to take into account experience of the promoter and moderate financial performance in FY19. The ratings, however, are constrained by slower than envisaged ramping up of galvanization plant, profitability susceptible to volatility in the prices of raw materials, exposure to foreign fluctuation risk and working capital intensive nature of operation. Going forward, the ability of the company to ramp up the capacity of the galvanization plant, improve the debt protection metrics along with efficient management of working capital are the key rating sensitivities.

Detailed description of the key rating drivers

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).

Moderate financial performance in FY19: MCMIL's reported total operating income of Rs.251.04 cr in FY19 vis-à-vis Rs.230.84 crore in FY18. PBILDT margin improved from 7.20% in FY8 to 9.13% in FY9. However interest coverage ratio deteriorated from 3.11x in FY18 to 1.67x in FY19. The company reported GCA of Rs.11.91 crore in FY19.

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

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

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.

Liquidity: The average utilization of the working capital facilities stood at ~68% during the last 12 months ended May 2019.

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

[Criteria for Short Term Instruments](#)

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
PBILD	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 BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	85.00	CARE A3

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 BBB; Stable	-	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 BBB; Stable	-	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 A3	-	1)CARE A3+ (02-Jan-19)	1)CARE A3+ (05-Dec-17)	1)CARE A3+ (18-Jan-17) 2)CARE A2+ (13-May-16)

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.

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