# Manaksia Aluminium Company Limited

## February 25, 2025

**Ratings**

| Security/ Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|---|---|---|---|
| Long Term Bank Facilities | 63.15 | IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook) | IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook) | Rating Reaffirmed | Simple |
| Long Term/Short Term Bank Facilities | 100.50 | IVR BBB+/Stable/IVR A2 (IVR Triple B Plus with Stable Outlook/ IVR A Two) | IVR BBB+/Stable/IVR A2 (IVR Triple B Plus with Stable Outlook/ IVR A Two) | Rating Reaffirmed | Simple |
| Short Term Bank Facilities | 150.00 | IVR A2 (IVR A Two) | IVR A2 (IVR A Two) | Rating Reaffirmed | Simple |
| **Total** | **313.65 (Rupees Three hundred thirteen crore and sixty-five lakhs only)** | | | | |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

**Detailed Rationale**

The reaffirmation of the ratings assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) continues to derive comfort from long track record of the company coupled with extensive experience of the promoters in the aluminium industry and wide geographical presence with strategic plant locations. The ratings also factor in stable business performance of MACL albeit moderation in top line and overall profitability in FY2024 [FY refers to the period from April 1 to March 31] though marginal improvement witnessed during 9MFY2025. However, these rating strengths remain partially offset by moderation in the capital structure and debt coverage indicators of the company, exposure to foreign currency fluctuation risk, working capital intensive nature of operations and exposure to inherent cyclicality in the metal industry.

The stable outlook reflects expected stable business performance of the company in the near to medium term supported by its experienced promoters.

**Key Rating Sensitivities:**

**Upward Factors:**

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics on a sustained basis
- Sustained improvement in the capital structure with improvement in TOL/TNW to below 2x
- Effective working capital management with improvement in operating cycle leading to improvement in liquidity

**Downward Factors:**

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis
- Deterioration in the capital structure with overall gearing moderated above 1.5x and drop in interest coverage to below 1.5x
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings to more than ~90% on a sustained basis

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

- **Long track record and extensive experience of the promoters in the Aluminium industry**

Manaksia Limited (ML) was incorporated in 1984 in Kolkata by an Agarwal family. It was multi-divisional, and the product line included packaging products, Aluminium rolled products, galvanized steel and mosquito coils. In 2013, the Aluminium division of Manaksia Ltd. was transferred under a scheme of demerger to MACL and currently MACL is engaged in manufacturing of Aluminium rolled products in coil and sheet form as well as Aluminium alloy ingots. The promoters have a long and extensive experience of over three decades in the Aluminium industry. Currently, the operations are looked after by Mr. Sunil Kr. Agrawal who is well supported by Mr. Anirudha Agrawal in managing the day-to-day operations of the company. Infomerics believes that MACL will continue to benefit from the experience of the promoters in the industry and well-established relations with large players in the aluminium industry over near to medium term.

- **Strategic location of plants**

The aluminium unit and the engineering unit is located at Haldia where the company manufactures machines and spare parts for internal consumption as well as for exports. The company has an ISO 9001:2008 certification. Further, both the plants have locational advantages of road, rail and nearby seaport facilities along with abundant skilled and unskilled labour.

- **Wide geographical presence**

MACL revenue is mainly driven by exports to overseas countries such as USA, Europe, Middle East, UAE, African countries etc.

- **Stable business performance albeit moderation in top line and overall profitability in FY2024; marginal improvement witnessed during 9MFY2025**

Despite an increase in overall sales volume, total operating income (TOI) moderated marginally from Rs.482.99 crore in FY23 to Rs.432.49 crore in FY24 due to dip in average sales realisation. The export sales moderated from Rs.277.04 crore in FY23 to Rs.203.68 crore in FY24 due to weak macro-economic outlook leading to sluggish demand conditions primarily in the developed nations added to the decrease in top line in FY24. Nevertheless, the same was partially compensated for by an increase in domestic sales in FY24. Furthermore, sales of value-added products, i.e., flat rolled products has also increased in the total sales composition which fetches comparatively lower sales realisation than aluminium ingots but fetches relatively higher margins. Notwithstanding the moderation in TOI, EBITDA margin increased from 6.58% in FY23 to 8.04% in FY24 on the back of increase in the sales of value-added products and reduction in operating overheads from various cost reductions and modernisation capex done by the company. On absolute terms also, EBITDA increased from Rs.31.77 crore in FY23 to Rs.34.79 crore in FY24. However, PAT margin continued to remain thin and further moderated from 1.83% in FY23 to 1.17% in FY24 in view of an increase in interest cost from Rs.16.89 crore in FY23 to Rs.21.57 crore in FY24 majorly attributable to increase in term debts availed for modernisation capex coupled with higher utilisation of working capital limits. Consequently, gross cash accruals dampened marginally from Rs.14.30 crore in FY23 to Rs.13.97 crore in FY24.

During 9MFY25, MACL reported a TOI of Rs.372.07 crore, an increase from Rs.314.78 crore during 9MFY2024 driven by an increase in demand of its products. EBITDA margin improved marginally from 8.20% in 9MFY24 to 8.46% in 9MFY25. PAT also increased marginally from Rs.3.51 crore in 9MFY24 to Rs.4.05 crore in 9MFY25. The company's ability to increase its scale of operations and overall profitability will be critical from credit perspective going forward.

**Key Rating Weaknesses**

- **Moderation in capital structure and debt coverage indicators**

The capital structure of the company continued to remain moderate marked by its moderate leverage ratios. The overall gearing moderated from 1.16x as on March 31, 2023 to 1.33x as on March 31, 2024 due to elevated debt levels attributable to an increase in term debts availed for modernisation capex coupled with higher utilisation of working capital limits. Also, underpinned by elevated interest cost, ICR continues to remain moderate and further reduced to 1.61x and 1.52x in FY24 and 9MFY25 respectively as against 1.88x in FY23. Total debt/EBITDA and Total debt/GCA also moderated marginally from 4.54x and 10.09x respectively as on March 31, 2023 to 4.95x and 12.33x respectively as on March 31, 2024. Total indebtedness as reflected by TOL/ANW remained comfortable at 2.23x as on March 31, 2024.

- **Volatility in raw material prices**

Raw material (majorly aluminum) is the major cost driver (constituting about 70-75% of total cost of production) Further, aluminum prices are highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors. The company hedges the fluctuation through commodity exchanges and matches sales with purchases, to protect the margins.

- **Exposure to foreign exchange fluctuation**

The company imports raw materials mostly from US, Southeast Asia and European countries which on an average consists of ~75%-80 % of total procurement. Further it exports its finished products to different countries including US, European, African and Asian counties which on an average consists of ~ 45%-60% of its total sales in FY23 and FY24, though the export sales were impacted in FY2024 fiscal year due to global economic scenario. Though, the company generally use forward cover to hedge its forex fluctuation risk and has natural hedge in view of both export and import, yet it is exposed to risks arising out of fluctuations in foreign currency.

- **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 3-4 months of 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 96 days in FY24 (82 days in FY23).

- **Exposure to inherent cyclicality of the metal industry**

The metal industry is cyclical in nature and the company is also exposed to the same.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

**Liquidity – Adequate**

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation during FY25-FYY7. The average utilisation of fund-based limits remained moderate at ~86% during the last twelve months ended December 2024 providing moderate buffer in its working capital limits. Current ratio remained comfortable at 1.21x as on March 31, 2024. Moreover, the company has moderate gearing headroom marked by its moderate overall gearing ratio. Also, the company had free cash and cash equivalent to the tune of Rs.4.64 crore as on December 31, 2024 which is expected to support the liquidity profile of the company in the near term.

**About the company**

Manaksia Limited was incorporated in 1984 in Kolkata, West Bengal. It was multi-divisional, and the product line included packaging products, Aluminium rolled products, galvanized steel and mosquito coils. In 2013 the Aluminium vertical of Manaksia Limited was transferred under the scheme of demerger to Manaksia Aluminium Company Limited (MACL). MACL is primarily engaged in the manufacturing of value-added Aluminium products such as Aluminium Rolled Sheets / Coils, Aluminium Patterned Sheets, Aluminium Roofing Sheets, Aluminium Flooring

Sheets, Aluminium Alloy Ingots. Its installed capacity is 25800 MT per annum. The products are widely used in the construction and transportation sector, automobiles, consumer durable sector, etc.

**Financials: Standalone**

**(Rs. crore)**

| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
|---|---|---|
| | Audited | Audited |
| Total Operating Income | 482.99 | 432.49 |
| EBITDA | 31.77 | 34.79 |
| PAT | 8.87 | 5.09 |
| Total Debt | 144.34 | 172.23 |
| Tangible Net Worth | 124.67 | 129.10 |
| EBITDA Margin (%) | 6.58 | 8.04 |
| PAT Margin (%) | 1.83 | 1.17 |
| Overall Gearing Ratio (x) | 1.16 | 1.33 |
| Interest Coverage (x) | 1.88 | 1.61 |

***** *Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

| Sr. No. | Name of Instrument/ Facilities | Current Rating (Year 2024-25) | | | Rating History for the past 3 years | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | |
| | | | | | November 29, 2023 | October 26, 2022 | January 11, 2022 | September 09, 2021 |
| 1 | Term loan | Long Term | 63.15 | IVR BBB+ / Stable | IVR BBB+ / Stable | IVR BBB+ / Stable | IVR BBB/ Stable | IVR BBB under credit watch with developing implication |
| 2 | Cash Credit* | Long Term/ Short Term | 150.00 | IVR BBB+/Stable/IVR A2 | IVR BBB+/Stable/IVR A2 | IVR BBB+/Stable/IVR A2 | IVR BBB/ Stable | IVR BBB under credit watch with developing implication |
| 3 | Letter of Credit | Short Term | 98.00 | IVR A2 | IVR A2 | IVR A2 | IVR A3+ | IVR A3+ under credit watch with developing implication |

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Name of Instrument/ Facilities</th><th colspan="3">Current Rating (Year 2024-25)</th><th colspan="4">Rating History for the past 3 years</th></tr>
<tr><th>Type</th><th>Amount outstanding (Rs. Crore)</th><th>Rating</th><th>Date(s) & Rating(s) assigned in 2023-24</th><th>Date(s) & Rating(s) assigned in 2022-23</th><th colspan="2">Date(s) & Rating(s) assigned in 2021-22</th></tr>
<tr><td>4</td><td>Bank Guarantee</td><td>Short Term</td><td>2.50</td><td>IVR A2</td><td>IVR A2</td><td>IVR A2</td><td>IVR A3+</td><td>IVR A3+ under credit watch with developing implications</td></tr>
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** Cash credit limit is rated under long term/short term rating as short-term facilities like PC/PCFC/FBP/FBD are sublimit to Cash Credit.*

**Analytical Contacts:**



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**About Infomerics:**

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

**Annexure 1: Instrument/Facility Details**

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|
| Term Loan/GECL | - | - | Varied Last maturity date is March, 2029 | 63.15 | IVR BBB+ / Stable |
| Cash Credit | - | - | - | 150.00 | IVR BBB+/Stable/IVR A2 |
| Letter of Credit | - | - | - | 98.00 | IVR A2 |
| Bank Guarantee | - | - | - | 2.50 | IVR A2 |

**Annexure 2: Facility wise lender details:**

https://www.infomerics.com/admin/prfiles/len-Manaksia-Alumin-feb25.pdf

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities**: Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com