



Press Release

Manaksia Aluminium Company Limited

October 26, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	34.70	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Revised	Simple
Long Term/ Short Term Bank facilities	90.00	IVR BBB+/Stable/IVR A2 (IVR Triple B Plus with Stable Outlook/ IVR A Two)	Assigned	Simple
Short Term Bank Facilities	120.00 (enhanced from 105.00)	IVR A2 (IVR A Two)	Revised	Simple
Total	244.70 (INR Two hundred forty four crore and seventy lakh only)			

Details of Facilities are in Annexure 1

Rating Rationale

The revision in the ratings assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) considers healthy growth in its scale of operations in FY22 & in Q1FY23 coupled with improvement in its debt protection metrics backed by an increase in its gross cash accruals. Further, the ratings continue to derive comfort from extensive experience of its promoters in the Aluminium industry, strategic location of plant, the company's wide geographical presence and comfortable capital structure. However, these rating strengths continue to remain partially offset by its working capital-intensive nature of operations, exposure to foreign exchange fluctuation risk, susceptibility of operating margin to volatility in raw material prices and exposure to cyclicalities in the Aluminum industry.

Key Rating Sensitivities

Upward Rating Factor



Press Release

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and/or improvement in debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Rating Factor

- Dip in operating income and/or profitability impacting the debt coverage indicators,
- Deterioration in the capital structure with overall gearing to over 1.5x and 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

Detailed description of the key rating drivers

Key Rating Strengths

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

Manaksia Limited (ML) was incorporated in 1984 in Kolkata by one Agarwal family. 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. 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 aluminum industry over near to medium term.

- **Strategic location of plants**

The aluminum unit is located at Haldia and the engineering unit is located at Bankura 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



Press Release

locational advantage 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 Nigeria, USA, UAE, etc.

- **Comfortable capital structure with satisfactory debt protection metrics**

The net worth of the company stood healthy at Rs.116.29 crore as on March 31, 2022. However, total debt level of the company elevated from Rs.109.88 Crore as on March 31,2021 to Rs.126.62 Crore as on March 31,2022 mainly due to availment of covid loan. However, despite rise in total debt, leverage ratios continued to remain satisfactory as indicated by long term debt equity ratio at 0.34x and overall gearing ratio at 1.09x as on March 31, 2022. Total indebtedness marked by TOL/TNW also stood comfortable at 2.20x as on March 31, 2022 (1.97x as on March 31, 2021). Healthy growth in revenues and recovery in operating margins led to improvement in debt protection metrics in FY22. Driven by higher EBITDA, interest coverage ratio improved from 0.83x in FY21 and stood at 2.08x in FY22 and Total debt to EBITDA improved from 10.37x as on March 31,2021 to 4.57x as on March 31,2022. Going forward, Infomerics expects that the financial risk profile of the company will remain satisfactory in the near term.

- **Improvement in financial performance in FY22 & in Q1FY23**

In FY22, the company achieved ~61% y-o-y growth in its total operating income driven by supportive demand from its end-user industries along with an increase in average sales realisation per ton. Despite increase in freight & forwarding expenses, EBITDA margin improved to 6.35% in FY22 from 3.90% in FY21 led by cost reduction measures and better fixed cost absorption with expansion in scale of operation along with increased focus on high margin value added products. Consequently, PAT and gross cash accruals of the company has also improved. Moreover, ongoing capex towards modernisation and setting up of colour coating line for making value added products is expected to drive further revenue and profitability growth in the near term. During Q1FY23, the company reported net profit of Rs. 2.12 crore on total operating income of ~Rs. 121 crore.



Press Release

Key Rating Weaknesses

- **Susceptibility of operating margin to volatility in raw material prices**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the Aluminum industry. The major raw materials required for manufacturing are Aluminum scraps. Since, the raw material is the major cost driver (constituting about 70-75% of total cost of production) and raw material prices are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, Aluminum prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **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 countries which on an average consists of ~ 74-79% of its total sales. Further, the company generally use forward cover to hedge its forex fluctuation risk.

- **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 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 86 days in FY22 (99 days in FY21). The collection period has also reduced from 43 days in FY21 to 35 days in FY22.

- **Exposure to inherent cyclicity 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 \(Non-Financial Sector\)](#)



Press Release

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

Liquidity position of the company is expected to remain adequate marked by its expected gross cash accruals in the range of Rs.17-22.5 crore as compared to debt obligation in the range of Rs.7-10 crore during FY23-FY25. The current ratio also remained adequate at 1.27x as on March 31,2022. However, the average utilization of its fund-based bank limit was around ~88% during the last 12 months ending July 2022 indicating a moderate liquidity buffer.

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, fan industry, automobiles, consumer durable sector etc.

Financials (Standalone):

	(Rs. crore)	
For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	271.63	436.22
EBITDA	10.59	27.69
PAT	-3.16	7.46
Total Debt	109.88	126.62
Tangible Net worth	108.72	116.29
EBITDA Margin (%)	3.90	6.35
PAT Margin (%)	-1.15	1.71
Overall Gearing Ratio (x)	1.01	1.09

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil



Press Release

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 21-22		Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Term Loans	Long Term	34.70	IVR BBB+/Stable	IVR BBB/Stable (Jan 11, 2022)	IVR BBB under Credit watch with developing implications (Sep 9, 2021)	IVR BBB+/Stable Outlook (May 14,2020)	-
2	Cash Credit*	Long Term/ Short Term	90.00	IVR BBB+/Stable/IVR A2	IVR BBB/Stable (Jan 11, 2022)	IVR BBB under Credit watch with developing implications (Sep 9, 2021)	IVR BBB+/Stable Outlook (May 14,2020)	-
3	Letter of Credit	Short Term	117.50	IVR A2	IVR A3+ (Jan 11, 2022)	IVR A3+ under Credit watch with developing implications (Sep 9, 2021)	IVR A2 (May 14,2020)	-
4	Bank Guarantee	Short Term	2.50	IVR A2	IVR A3+ (Jan 11, 2022)	IVR A3+ Under Credit watch with developing implications (Sep 9, 2021)	IVR A2 (May 14,2020)	-

* Cash credit limit which was earlier assigned long term rating, has now been reclassified under long term/short term rating as short term facilities like PC/PCFC/FBP/FBD are sublimit to Cash Credit.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ashish Agarwal Tel: (033) 46022266 Email: aagarwal@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---



Press Release

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loans	-	-	Sept'2028	34.70	IVR BBB+/Stable
Long Term/Short term Bank Facilities – Cash Credit*	-	-	-	90.00	IVR BBB+/Stable/IVR A2
Short Term Bank Facilities – Letter of Credit	-	-	-	117.50	IVR A2
Short Term Bank Facilities – Bank Guarantee	-	-	-	2.50	IVR A2

* WCDL/FBP/FBD/Pre-Shipment export credit/Post Shipment Credit are sub-limits to CC



Press Release

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Manaksia-Aluminium-oct22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

