Press Release

Metal Care Alloys Limited (MCAL)

April 29th, 2024

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	52.05 (Enhanced from Rs.38.30 crore)	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Long Term Bank Facilities - Proposed	0.45 (Reduced from Rs.9.70 crore)	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Total	**Rs.52.50 Crore (Rupees fifty-two crore and fifty lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the rating assigned to the bank facilities of MCAL continues to derive strengths from stable revenue growth coupled with marginal improvement in overall profitability, diversified revenue stream with presence in domestic and export markets and extensive experience of the promoters; However, the rating strengths are partially offset by moderate credit profile and elongated working capital cycle.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in revenue with improvement in overall profitability margins thereby leading to overall improvement in net cash accruals.
- Improvement in capital structure with reduction in overall gearing below 1x on a sustained basis.
- Effective working capital management with improvement in net operating cycle and liquidity profile.

Downward Factors

- Declined in revenue or profitability and/or any deterioration in working capital cycle leading to deterioration in credit profile and liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Stable revenue growth

MCAL's revenue has increased on year-on-year basis by ~19% to Rs.186.16 crore in FY23 driven by increase in volume despite declined in realisations. The sales realizations were declined in FY23 due to decline in international metal prices. However, the sales quantity has increased in FY23 as compared to FY22 due to an increase in demand in the domestic market. Further as per provisional FY24 MCAL has achieved a revenue of Rs.205.98 crore as against the projected sale of Rs.210.86 crore for FY24.

Thin profit margins though improved on year on year on basis

MCAL's EBITDA margin has marginally improved to 6.37% in FY23 (PY: 5.23%) this improvement is due to benefits of operating leverage. In absolute term EBITDA has increased to Rs.11.87 crore in FY23 (PY: Rs. 8.20 crore). PAT margin has also improved in FY23 to 2.31% (PY: 1.36%) this was mainly due to stable gross margins.

Diversified revenue stream with presence in domestic and export markets

MCAL has a diversified geographical presence in both the domestic and export markets. Exports account for ~35% of its revenue in FY23 and the rest constitute domestic sales. Export segment company will increase steadily over the years. MCAL has developed a relationship with its customers since inception, which has further resulted in acquiring repeat orders from them on a frequent basis.

Extensive experience of the promoters

MCAL has promoted by Mr. Deepak Jain and Mr. Anand Jain they have vast experience in the copper industry, their strong understanding of market dynamics and healthy relationships with customers and suppliers will continue to support the business risk profile.

Key Rating Weaknesses

Moderate credit profile

MCAL has unsecured loans of Rs.3.92 crore in FY23 which is subordinated to the bank loans, and Infomerics has treated as a quasi-equity. The tangible net worth including quasi equity has increased to Rs.30.78 crore as on March 31, 2023. MCAL's credit profile remains moderate with gearing and TOL/ATNW has stood at 1.35x and 1.67x respectively in FY23 (PY: 1.69x and 2.21x) respectively led by stable accretion of profits to reserves coupled with repayments of term loans. MCAL's debt protection metrics remains moderate with interest coverage stood at 2.46x in FY23 (PY: 2.45x) this stability was attributed to consistent improvement in absolute EBITDA. Total debt/GCA has improved significantly and though remained high at 7.34x in FY23 (PY: 12.29x) due to increase in overall profitability.

Elongated working capital cycle.

The operations of MCAL remained working capital intensive in nature marked by majority of the funds are blocked in inventory. MCAL has to maintain stock of around 2-3 months to caters a variety of customers. Further they purchase raw material in bulk quantity to mitigate the commodity pricing risk on account of this inventory days stood at 91 days in FY23 (PY: 88 days). Receivables and creditors days stood at 22 and 17days in FY23 (PY: 25 and 22 days) respectively as MCAL grants credit period of around 1 month to its customers and receives similar credit period from its suppliers. Due to high inventory days operating cycle of the company remains elongated at 96 days in FY23 (PY: 91 days), as a result of the same its working capital limits were utilized ~88 during the past 12 months ended as of February 2024.

Analytical Approach: Standalone

Applicable Criteria:

Criteria for rating Outlook

Default recognition policy

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of MCAL is adequate with expected gross cash accruals in the range of Rs.8.81 crore to Rs.11.79 crore as against repayment obligations of around Rs. ~0.42 to 2.26 crore for next two years. The current ratio stood at 1.65x as on FY23 (PY: 1.63x); while quick ratio remains moderate and at 0.61x (PY: 0.63x). The average fund-based bank limit utilization in the last 12 months ended February 2024 stood at 89%, the liquidity position of the company stood adequate. DSCR of the MCAL stood comfortable at 1.94x in FY23 improved from 1.76x in FY22. Cash flow from operation is also stood positive at Rs.1.73 crore (PY: Rs.7.12 crore).

About the Company

MCAL is incorporated on July 15, 2015, engaged in the business of manufacturing of high-grade aluminium & copper-based alloy ingots along with recycled metal products of S.G. Iron and Cast Iron etc. MCAL has its corporate office located in Mumbai and manufacturing unit located in Palghar with installed capacity 28,800 MTPA.

Financials (Standalone)*: **(In Crore)**

For the year ended / As on	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	156.72	186.16
EBITDA	8.20	11.87
PAT	2.13	4.31
Total Debt	43.70	41.63
Tangible Net-Worth (TNW)	22.58	26.86
Ratios		
EBITDA Margin (%)	5.23	6.37
PAT Margin (%)	1.36	2.31
Overall Gearing Ratio (x)	2.08	1.70

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

Status of non-cooperation with previous CRA: Brickworks Ratings in its press release dated March 15th, 2024, has downgrade the ratings for the bank loan facilities of MCAL and moved to "ISSUER NOT COOPERATING" category on account of non-availability of information.

India Ratings and research in its press release dated December 27, 2023, has reaffirm the ratings for the bank loan facilities of MCAL and continued under "ISSUER NOT COOPERATING" category on account of non-availability of information.

Any other information: None

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (April 07th, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities	Long Term	52.05 (Enhanced from Rs.38.30 crore)	IVR BBB- / Stable	IVR BBB-/ Stable	-	-
2.	Long Term Bank Facilities - Proposed	Long Term	0.45 (Reduced from Rs.9.70 crore)	IVR BBB- / Stable	IVR BBB-/ Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund based – Term Loan	-	-	March 26th, 2028	1.05	IVR BBB-/ Stable Outlook
Long term fund based – GECL	-	-	March 31st, 2028	6.00	IVR BBB-/ Stable Outlook
Long term fund based – Cash Credit	-	-	Revolving	45.00	IVR BBB-/ Stable Outlook
Long term fund based – Proposed	-	-	-	0.45	IVR BBB-/ Stable Outlook
Total				**52.50**	

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

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-MetalCare-apr24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

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.