



Press Release

Manaksia Aluminium Company Limited

January 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	60.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Removed from credit watch; Rating Reaffirmed with Stable outlook
Short Term Bank Facilities	105.00	IVR A3+ (IVR A Three Plus)	Removed from credit watch; Rating Reaffirmed
Total	165.00		

Details of Facilities are in Annexure 1

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities of Manaksia Aluminium Company Limited (MACL) continues to derive comfort from its long track record and extensive experience of the promoters in the Aluminium industry and its wide geographical presence. 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 cyclicity in the Aluminum industry. The rating also notes improvement in financial performance of the company in H1FY22.

Earlier the ratings were placed under credit watch with developing implications owing to uncertainty in the operating scenario amid second wave of COVID, now it is removed from credit watch with improvement in its financial performance in H1FY22. However, the rating considers the possible impact of third wave of Covid pandemic on the financial performance of the company going forward.

Key Rating Sensitivities

Upward Rating Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis



Press Release

- 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. 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. Vineet 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 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



Press Release

exports. The company has an ISO 9001:2008 certification. Further, both the plants have 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**

The company's gearing level though moderated continued to remain comfortable at 1.01x as on March 31, 2021 (0.66x as on March 31, 2020) backed by its healthy net worth base. The net worth stood healthy at Rs.108.72 crore as on March 31, 2021. Further, total indebtedness of the company as reflected by TOL/TNW stood at 1.97x as on March 31, 2021 (1.36x as on March 31, 2020). The gearing ratios continues to remain comfortable as on September 30, 2021.

- **Improvement in financial performance in H1FY22**

The company has performed well in H1FY22 and has achieved net profit of Rs. 3.15 crore on a revenue of Rs.177.17 crore. Infomerics expects gradual improvement in its performance going forward and will monitor the developments in this regard.

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 sales) 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**



Press Release

The company does imports scrap as raw materials mostly from Southeast Asia and European countries which on an average consists of ~ 60-70 % of total procurement. Further it exports its finished products to different countries including European, African and Asian countries which on an average consists of ~ 65-75 % of its total sales hence, enjoys a natural hedging to an extent. Moreover, 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 99 days in FY21 (72 days in FY20).

- **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)

Liquidity: Adequate

Liquidity position of the company is expected to remain adequate marked by expected gross cash accruals in the range of Rs.15-20 crore in FY22-FY24 as compared to debt obligation in the range of Rs.6-7 crore.

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 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. The Aluminium caster division of the company has an operational capacity to produce 18,000 MT per annum. The products are widely used in the construction and



Press Release

transportation sector, fan industry, automobiles, consumer durable sector etc.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	281.30	271.63
EBITDA	19.92	10.59
PAT	5.84	-3.16
Total Debt	74.26	109.88
Tangible Net worth	111.80	108.72
EBITDA Margin (%)	7.08	3.90
PAT Margin (%)	2.05	-1.15
Overall Gearing Ratio (x)	0.66	1.01

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Care Ratings has moved the rating of Manaksia Aluminium Company Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated February 26, 2021.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name Instrument/Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Croe)	Rating		Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1	Term Loan	Long Term	15.00	IVR BBB/Stable	IVR BBB under Credit watch with developing implications (Sep 9, 2021)	IVR BBB+/Stable Outlook (May 14,2020)	-	-
2	Cash Credit	Long Term	45.00	IVR BBB/Stable	IVR BBB under Credit watch with developing	IVR BBB+/Stable Outlook (May	-	-



Press Release

					implications (Sep 9, 2021)	14,2020)		
3	Letter Credit	of Short Term	99.00	IVR A3+	IVR A3+ under Credit watch with developing implications (Sep 9, 2021)	IVR A2 (May 14,2020)	-	-
4	Bank Guarantee	Short Term	6.00	IVR A3+	IVR A3+ Under Credit watch with developing implications (Sep 9, 2021)	IVR A2 (May 14,2020)	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Press Release

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 Loan	-	-	Sept'2024	15.00	IVR BBB/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	45.00	IVR BBB/Stable
Short Term Bank Facilities – Letter of Credit	-	-	-	99.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	-	-	-	6.00	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Manaksia-aluminium-lenders-jan22.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

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.