April 04, 2024

Maan Aluminium Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based limits – cash credit	30.00	55.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund based limits – unallocated limits	0.45	0.00	-
Short-term – Fund based limits – bills discounting	60.00	50.00	[ICRA]A2; reaffirmed
Short-term – Non-fund-based limits – Bank Guarantee	14.55	0.00	-
Total	**105.00**	**105.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA's ratings continue to take into account Maan Aluminium Limited's (MAL) established presence and significant experience of the promoters in the aluminium extrusion industry, a wide distribution network, and a reputed customer base. Moreover, MAL supplies extrusions to various end-user industries including architectural, solar, hardware etc., lending stability to business volumes. The ratings also consider the company's comfortable financial risk profile, marked with a consistent growth in revenues, a healthy capital structure, and comfortable debt coverage metrics. ICRA notes that the company's operating margin declined to 4.8% in 9M FY2024 compared to 9.2% in the previous year owing to a lower proportion of export sales, which garner high margin and high proportion of trading sales. While sales volumes are expected to decline in FY2024 owing to soft demand, the volumes are likely to improve in the current fiscal. Also, the coverage metrics are expected to remain strong, supported by comfortable accretion of cash accruals and low debt level.

The liquidity also remained comfortable with sufficient cushion in the current working capital limits. However, the ratings are constrained by the susceptibility of margins to fluctuations in raw material prices and foreign exchange rates along with intense competition, given the highly fragmented nature of the industry.

A Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that MAL will continue to maintain its comfortable capital structure and healthy debt coverage indicators and will benefit from increased production capacities.

Key rating drivers and their description

Credit strengths

Established presence in the aluminium extrusion industry – With two decades of operational track record and a capacity of 10,000 MTPA, MAL is an established player in the domestic aluminium extrusion industry. The company has an established market presence and can produce diverse products, which find application in varied end-user industries. Further, the company is an exclusive distributor of Hindalco for trading of aluminium billet/ingot and wire rod in North India and South India (ex-Hyderabad).

Established relationships with dealers and customers – The company is promoted by Mr. Ravinder Nath Jain, who has over three decades of experience in the aluminium trading and extrusion industry. The promoter's rich experience has enabled the company to establish healthy relationships with various reputed customers and suppliers.

Comfortable financial risk profile, reflected by low external debt, healthy coverage indicators and adequate liquidity position – The company's capital structure remains favourable owing to low debt, resulting in strong coverage indicators. Further, the liquidity also remained comfortable with sufficient cushion in the current working capital limits. In 9M FY2024, the company's revenue rose 32% to Rs. 728.7 crore from Rs. 551 crore owing to increased trading sales. However, the company reported an operating margin of 4.8% vis-à-vis 9.2% in 9M FY2023 owing to lower proportion of high-margin extrusion business. Nonetheless, owing to low debt levels, the debt coverage indicators are expected to remain strong.

Credit challenges

Intense competition in the industry – The company faces competition from organised and unorganised players in the fragmented aluminium extrusion industry, given the low capital investment and technical expertise required to produce extrusions with simple designs. As the company has healthy capacity in the extrusion space in India, it enjoys some pricing flexibility with customers that are not price sensitive and focus primarily on quality.

Margins susceptible to fluctuations in raw material prices and foreign exchange rates – Aluminium accounts for the major portion of the total raw material costs and the price volatility keeps MAL's margins susceptible to any fluctuation. However, the company matches sales with purchases, mitigating the raw material price risk to an extent. The company purchases aluminium in the form of ingots and billets from large domestic suppliers like Vedanta Aluminium Limited, National Aluminium Company and Hindalco Industries Limited. In addition to domestic purchases, the company imports a part of its raw material requirement. While there is a natural hedge to the extent of exports, the earnings remain susceptible to fluctuations in foreign exchange rates. Also, the margin remains volatile in the trading business, given the volatility in aluminium prices. The company's trading business has reduced over the years, mitigating the volatility to an extent.

Environmental and Social Risks

Environmental considerations: The exposure of MAL's credit profile to environmental risks emanates from the strict regulatory requirements related to waste treatment and the additional costs required to be incurred for treating and managing effluents. Lapses in adhering to the statutory pollution limits could invite fines and penalties and could impact the company's profitability. Thus, MAL's ability to remain compliant with the necessary regulatory stipulations will remain a key credit rating sensitivity.

Social considerations: MAL faces social risks arising from the health and safety hazards that its operations could create for the community and might result in a backlash. However, MAL's track record of carrying out its operations responsibly over the years provides comfort.

Liquidity position: Adequate

The company's liquidity position is adequate, given the sufficient cash generation from the business against low external debt repayment obligation of Rs. 0.6 crore in FY2024 and FY2025. The company has plans to add another extrusion line, entailing a capex of Rs. 40 crore spread over two years, to be funded by internal accruals. Its comfortable liquidity is further reflected in its moderate utilisation of working capital limits. The company does not have any term loan.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company can significantly improve its operating profitability and debt protection metrics along with strengthening of the liquidity position, going forward.

Negative factors – Pressure on MAL's ratings may arise if its profitability and cash accruals decline significantly due to a fall in sales volume owing to weak demand from the end-user industries. Any significant stretch in the working capital cycle, or large debt-funded capex exerting pressure on the liquidity position, may also trigger ratings downgrade. An interest coverage ratio below 4.0 times, on a sustained basis, may also prompt ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Incorporated in 2003 by Mr. Ravinder Nath Jain, Maan Aluminium Limited trades in aluminium ingot/billets/rods and manufactures aluminium alloy extruded products including rods and bars. The company's plant is located in Pithampur, Madhya Pradesh with an installed capacity of 10,000 MTPA. The company exports its products and has been accredited with a Three Star Export House status. Further, the company has in-house anodising and fabrication facilities to manufacture value added products.

Key financial indicators (audited)

MAL Standalone	FY2022	FY2023	9M FY2024*
Operating income	581.2	820.6	728.7
PAT	22.0	50.0	25.5
OPBDIT/OI	5.7%	8.7%	4.8%
PAT/OI	3.8%	6.1%	3.5%
Total outside liabilities/Tangible net worth (times)	1.0	0.7	0.4
Total debt/OPBDIT (times)	2.0	0.8	0.7
Interest coverage (times)	6.7	14.4	12.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Apr 04, 2024	-	Mar 23, 2023	-
1	**Cash credit**	Long-Term	55.00		**[ICRA]BBB+ (Stable)**	-	**[ICRA]BBB+ (Stable)**	-
2	**Unallocated**	Long-Term	0.00		-	-	**[ICRA]BBB+ (Stable)**	-
3	**Bills discounting**	Short-term	50.00		**[ICRA]A2**	-	**[ICRA]A2**	-
4	**Bank Guarantee**	Short-term	0.00		-	-	**[ICRA]A2**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based limits – cash credit	Simple
Short-term – Fund based limits – bills discounting	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term – Fund based limits – cash credit**	NA	NA	NA	55.00	[ICRA]BBB+ (Stable)
NA	**Short-term – Fund based limits – bills discounting**	NA	NA	NA	50.00	[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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