

### Alcob India Private Limited: Downgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Term Loan I	1.50	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Term Loan II	1.50	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Letter of Credit	4.40	SMERA A4 (Downgraded from SMERA A4+)
Bank Guarantee	10.00	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the ratings on the abovementioned bank facilities of Alcob India Private Limited (AIPL) to **'SMERA BB-' (read as SMERA double B minus)** and **'SMERA A4' (read as SMERA A four)** from 'SMERA BB' (read as SMERA double B) and 'SMERA A4+' (read as SMERA A four plus) respectively. The outlook is **'Stable'**.

The downgrade is due to decline in profitability and stretched liquidity position of the company. The ratings are constrained by the moderate scale of operations. However, the ratings continue to draw comfort from the company's experienced management and reputed clientele.

#### Update

AIPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.32.79 crore, as compared with PAT of Rs.0.99 crore on operating income of Rs.34.27 crore for FY2014-15. The company's operating margin has declined to 7.84 per cent in FY2015-16 (refers to financial year, April 01 to March 31), as compared with 11.08 per cent in the previous year. The net profit margins declined to 0.67 percent in FY2015-16 from 2.88 per cent in FY2014-15 on account of increased labour and job work expenses.

AIPL's gearing (debt-equity) has been moderate at 0.89 times as on March 31, 2016 as compared to 0.64 times as on March 31, 2015. The interest coverage of the company deteriorated to 1.45 times in FY2015-16 as compared to 2.02 times in FY2014-15.

Further, the liquidity position is stretched as reflected in the gross current assets (GCA) days of 369 days for FY2016 (PY: 287 days). The high GCA emanates from the high inventory of 155 days (PY: 46 days) and debtors of 116 days (PY: 197 days) for FY2016. The average utilisation of the working capital limits stood at around ~100 per cent reflecting the stretched liquidity position of the company.

#### Rating Sensitivity Factors

- Improvement in revenues and profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

## Outlook-Stable

SMERA believes that the outlook on AIPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability with significant improvement in the liquidity position. The outlook may be revised to 'Negative' in case of sharp deterioration in the liquidity position and quality of receivables.

## About the Company

AIPL (the erstwhile Alcob Systems Private Limited) was established as a proprietorship firm in 2003 and reconstituted as a private limited company in 2004. The company, promoted and managed by Mr. R. Badrinarayan, is an exterior facade contractor and undertakes projects for designing, engineering, manufacturing and installation of facade systems such as aluminum glazing, composite cladding, and glass exteriors among others. The factory is located at Pune, Maharashtra.

For FY2015-16, AIPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.32.79 crore, as compared with PAT of Rs.0.99 crore on operating income of Rs.34.27 crore for FY2014-15. The net worth stood at Rs.15.33 crore as on March 31, 2016, as compared with Rs.15.33 crore a year earlier.

## Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
18 Aug, 2015	Cash Credit	8.00	SMERA BB (Upgraded)	-	Stable
	Term Loan I	1.50	SMERA BB (Upgraded)	-	Stable
	Term Loan II	1.50	SMERA BB (Upgraded)	-	Stable
	Letter of Credit	4.40	-	SMERA A4+ (Upgraded)	-
	Bank Guarantee	10.00	-	SMERA A4+ (Upgraded)	-
26 Aug, 2014	Cash Credit	8.00	SMERA BB- (Reaffirmed)	-	Stable
	Term Loan I	1.50	SMERA BB- (Reaffirmed)	-	Stable
	Term Loan II	1.50	SMERA BB- (Reaffirmed)	-	Stable
	Bank Guarantee	10.00	-	SMERA A4+ (Reaffirmed)	-
	Letter of Credit	4.40	-	SMERA A4+ (Reaffirmed)	-
12 Sep, 2013	Letter of Credit	4.40	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	10.00	-	SMERA A4+ (Assigned)	-
	Cash Credit	8.00	SMERA BB- (Assigned)	-	Stable
	Term Loan I	1.50	SMERA BB- (Assigned)	-	Stable

	Term Loan II	1.50	SMERA BB- (Assigned)	-	Stable
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**ABOUT SMERA**

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