

September 17, 2014

Facilities	Amount (Rs. Crore)	Ratings
Inland Letter of Credit	20.00*	SMERA A4 (Assigned)
Cash Credit (proposed)	5.00	SMERA B/ Stable (Assigned)
SBLC (proposed)	25.00	SMERA A4 (Assigned)

*Includes cash credit as a sublimit to the extent of Rs.5.00 crore

SMERA has assigned ratings of '**SMERA B**' (**read as SMERA single B**) to the Rs.5.00 crore long-term bank facility and '**SMERA A4**' (**read as SMERA A four**) to the Rs.45.00 crore short-term bank facilities of Aditya Aluminium (Aditya). The outlook is '**Stable**'. The ratings are primarily constrained by the firm's short track record of operations, low net profit margin and weak financial risk profile in an intensely competitive segment of the non-ferrous metals industry. The ratings are also constrained by the susceptibility of the firm's profit margin to volatility in raw material prices and fluctuations in foreign exchange rates. However, the ratings are supported by the firm's experienced management. The ratings also draw comfort from the strong revenue growth registered by the firm during the period under study.

Aditya Aluminium, established in February 2013, is a Delhi-based partnership firm engaged in trading of aluminium ingots and scrap. Aditya Aluminium also undertakes orders for aluminium extrusion (outsourced to third parties). In July 2014, Aditya Aluminium was merged with its group concern Adhunik Inc. (engaged in similar line of business) and the merged entity was named as 'Aditya Aluminium'. For arriving at the ratings, SMERA has consolidated the financials of Aditya Aluminium and Adhunik Inc.

Aditya's net profit margin is low at 0.72 per cent in FY2013-14 (refers to financial year, April 01 to March 31). Moreover, the firm's net profit of Rs.1.83 crore (in FY2013-14) arises from non-operating income (interest) of Rs.1.97 crore. Aditya's weak financial risk profile is marked by leverage (total liabilities to tangible net worth ratio) of 2.28 times as on March 31, 2014. The firm operates in an intensely competitive segment of the non-ferrous metals industry. Aditya's profit margins are susceptible to volatility in prices of raw materials. The firm is also exposed to forex fluctuation risk arising on un-hedged import purchases of aluminium scrap.

Aditya benefits from its experienced management. Mr. Ravinder Jain, partner of Aditya, has around three decades of experience in the non-ferrous metals industry. Aditya registered strong revenue growth, with net operating income increasing from Rs.31.99 crore in FY2012-13 to Rs.245.45 crore in FY2013-14. Moreover, the firm registered operating income of ~Rs.80.00 crore during April 2014 to July 2014.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes Aditya will benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and profit margins. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues and profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the firm

Aditya established in February 2013, is a Delhi-based partnership firm promoted by Mr. Ravinder Jain, Ms. Priti Jain and Ms. Dipti Jain. Aditya is engaged in trading of aluminium ingots and scrap. The firm also undertakes orders for aluminium extrusion (outsourced to third parties). In June 2014, Aditya was merged with its group entity Adhunik Inc.

For FY2013–14, Aditya reported profit after tax (PAT) of Rs.1.83 crore on net operating income of Rs.245.45 crore, as compared with PAT Rs.0.23 crore on net operating income of Rs.31.99 crore in the previous financial year. The firm's net worth stood at Rs.20.13 crore as on March 31, 2014.

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