

Press Release

Namo Alloys Private Limited

July 12, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 43.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB-**' (read as SMERA BBB minus) on the Rs. 43.00 crore bank facilities of Namo Alloys Private Limited. The outlook is '**Stable**'.

Namo Alloys Private Limited (NAPL) is a New Delhi-based company promoted by Mr. Neeraj Kumar Jain and Mr. Naresh Kumar Jain. The company manufactures aluminium ingots, zinc alloy ingots and pressurised die casting components at its two manufacturing units located at Manesar (Haryana) and Prithla (Haryana). The plant has capacity of 4500 MTPA and the current utilisation is around 80 percent.

Key Rating Drivers

Strengths

• Experienced management

NAPL was incorporated 1996 by Mr. Neeraj Kumar Jain and Mr. Naresh Kumar Jain (Chairman) who possess around three decades of experience in the manufacturing and trading of ingots (made of aluminium and zinc) as well as pressurised die casting components.

• Reputed clientele

NAPL has been catering to a reputed list of clients including Maruti Suzuki India Limited, Honda Motorcycle and Scooter India, Mind Industries Limited among others for almost a decade.

• Low to moderate working capital cycle

The working capital cycle is moderate marked by GCA days of 55 in FY2016 compared to 69 days in FY2015. In spite of increase in revenues in FY2017 (Provisional) the GCA days have increased marginally to 70 days.

• Healthy revenue growth

NAPL's revenues grew to Rs. 295.75 crore in FY1016 from Rs. 291.22 crore in FY2015. The company booked revenue of ~Rs. 376.82 crore with PAT of Rs. 3.96 crore in FY2017 (Provisional).

• Moderate financial risk profile

The financial risk profile is moderate marked by gearing of 1.56 times in FY2016 compared to 2.08 times in FY2015. The interest coverage ratio stood at 1.56 times in FY2016 compared to 1.49 times in the previous year. The DSCR is constrained at 1.19 times in FY2016 compared to 1.46 times in FY2015. The operating margins stood at 3.02 percent in FY2016 as against 3.65 percent in FY2015. The net worth stood at Rs. 24.25 crore as on 31 March, 2016 compared to Rs 24.07 as on 31 March, 2015.

Weaknesses

• Fragmented and competitive industry

The company is exposed to intense competition from organised as well as unorganised players.

• Volatility in raw material prices

Prices of raw material for production of aluminium ingots - aluminium scrap and zinc metal, are volatile which affects the company's profit margins.

• Foreign currency fluctuation risk

NAPL imports almost 90 percent of its raw material from the Middle East exposing itself to foreign exchange fluctuation risk. The company hedges its imports through forward contracts.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that NAPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the revenues and cash accruals improve while maintaining its working capital cycle and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if profitability is under pressure or if the company undertakes larger-than-expected debt-funded capex leading to deterioration in its financial risk profile particularly liquidity.

About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 0.51 crore on net sales of Rs. 294.75 crore in FY2015-16 as against PAT of Rs. 0.37 crore on net sales of Rs. 291.22 crore in FY2014-15. The net worth stood at Rs. 24.25 crore as on 31 March, 2016 compared to Rs. 24.07 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA (if applicable)

ICRA has withdrawn the suspended rating of [ICRA]BB (pronounced ICRA double B) for the Rs. 15.0 crore bank lines and short term rating of [ICRA]A4 (pronounced ICRA A four) for Rs. 22.5 crore bank lines of Namo Alloys Private Limited. As per ICRA's policy on withdrawals, ICRA can withdraw the rating in case the rating remains suspended for more than three years.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Dec-2015	Cash Credit	Long Term	INR 43	SMERA BBB- / Stable

***Annexure - Details of instruments rated**

Name of the	Date of	Coupon	Maturity	Size of the Issue	Ratings/Outlook
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Facilities	Issuance	Rate	Date	(Rs. Cr.)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	43.00	SMERA BBB- / Stable

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ABOUT SMERA

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