

Press Release
Namo Alloys Private Limited

July 23, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

New Delhi based Namo Alloys Private Limited (NAPL) was incorporated in 1996. The company is engaged in the business of manufacturing of Aluminium Zinc Alloy ingots & pressured die casting equipments. The company has two manufacturing units, located in Manesar and Prithla in Haryana with a capacity of 3200 Metric Tonnes per month.

Key Rating Drivers

Strengths

• Experienced management and reputed clientele

Namo Alloys Private Limited (NAPL) was incorporated in year 1996 by Mr. Naresh Kumar Jain. The directors Mr. Naresh Jain and Mr. Neeraj Jain have around two decades of experience in the field of manufacturing and trading of ingots made up of Aluminium and Zinc as well as pressurised die casting components.

NAPL caters to reputed clientele base in Indian domestic market. The major customers of the company include Maruti Suzuki India Limited, Honda Motorcycle and scooter India, Mind Industries Limited, FCC India Manufacturing Limited, Sandhar Auto Sunbeam Auto etc. The company is catering to these customers for more than decade.

• Healthy revenue growth

NAPL registered operating revenues of Rs.438.07 crore in FY2018 (Provisional) as against Rs.376.15 crore in FY2017 as against Rs. 295.75 crore in FY2016. The company has maintained its operating margins which stood at 3.55 percent in FY2018 (Provisional) as against 3.53 percent in FY2017.

• Comfortable working capital cycle

NAPL is having comfortable working capital operations marked by Gross Current Asset (GCA) of 83 days in FY2018 (Provisional) compared to 75 days in FY2017. The GCA days are mainly dominated by debtor days of 38 in FY2018 (Provisional) compared to 45 days in FY2017. The average cash credit utilization for the past six months stood at ~85 percent. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

• Moderate financial risk profile

NAPL has a moderate financial risk profile marked by net worth of Rs. 31.43 crore as on 31 March, 2018(Provisional) compared to Rs. 27.96 crore as on 31 March, 2017. It includes unsecured loans of Rs.6.47 crore as on 31 March 2018(Provisional) which is considered as quasi equity. The adjusted gearing stood to 1.94 times as on 31 March, 2018(Provisional) as against 2.06 times as on 31 March, 2017. The total debt of Rs. 60.96 crore mainly comprises of long term debt of Rs.3.31 crore and short term debt of Rs. 57.65 crore as on 31 March, 2018(Provisional). The interest coverage ratio stood at 1.71 times in FY2018 (Provisional) as against 1.82 times in FY2017. Total outside Liabilities/Tangible Net

Worth (TOL/TNW) stood at 2.77 times as on 31st March, 2018(Provisional) as against 2.43 times in 31 March, 2017.

The company is planning to start a new plant in Gujrat. The plant is expected to be operational from FY2020. The expected total cost of project is Rs. 12.00 crore out of which 70 percent will be funded from bank debt and rest from internal accruals. Notwithstanding the benefits of the debt funded capex, timely completion and stabilization of the project while maintaining its financial risk profile will remain key rating sensitivities.

- Exposure to volatility in raw material prices and foreign currency fluctuation risk**

The raw material forms the major component of the overall cost of the company. The basic raw material for production of Aluminium Ingot is aluminium scrap and Zinc metal, prices of which are volatile in nature which results in price fluctuation risk on the margins of the company. NAPL imports almost 90 percent of its raw material from the European and Middle East countries making it exposed to the Foreign Currency fluctuation risk. To protect from this risk, the company hedges its imports by means of forward contracts

- Fragmented and competitive nature of industry**

The company is exposed to the competitive pressure from big organized players as well as the small unorganized players in the industry affecting its bargaining power with the customers and in turn its operating margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the NAPL to arrive at this rating.

Outlook: Stable

Acuité believes NAPL will maintain a 'Stable' business risk profile over the medium term as the company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues, profit margins, or in case of deterioration in financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	438.07	376.15	295.75
EBITDA	Rs. Cr.	15.57	13.26	8.93
PAT	Rs. Cr.	3.01	2.49	0.51
EBITDA Margin	(%)	3.55	3.53	3.02
PAT Margin	(%)	0.69	0.66	0.17
ROCE	(%)	15.10	15.10	10.29
Total Debt/Tangible Net Worth	Times	1.94	2.06	1.56
PBDIT/Interest	Times	1.71	1.82	1.56
Total Debt/PBDIT	Times	3.88	4.29	3.98
Gross Current Assets (Days)	Days	83	75	63

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Jul-17	Cash Credit	Long term	43.00	ACUITE BBB-/Stable (Reaffirmed)
31-May-17	Cash Credit	Long term	43.00	ACUITE BBB-/Stable (Indicative)
10-Dec-15	Cash Credit	Long term	43.00	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

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

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About Acuité Ratings & Research:

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