

Press Release

Namo Alloys Private Limited

June 15, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.00	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	7.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.43.00 Cr bank facilities of Namu Alloys Private Limited (NAPL).

Acuite has also assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.7.00 Cr bank facilities of NAPL. The outlook is '**Stable**'.

Rationale for rating upgrade:

The rating upgrade reflects improvement in the revenues in FY2021 & FY2022 (Provisional) majorly due to increase in price and capacity utilization, improvement in the net profitability margins, expected improvement in the revenues & margins going forward, working capital efficient nature of operations on account of efficient inventory & receivable management, comfortable financial risk profile marked by comfortable gearing & comfortable debt protection metrics and strong liquidity position marked by adequate cash accruals against moderate repayment obligations.

About the Company

New Delhi-based, Namu Alloys Private Limited (NAPL) was incorporated in 1996. The company is promoted by Mr. Neeraj Kumar Jain and Mr. Jaiprakash. The company is engaged in the business of manufacturing of Aluminium, Zinc Alloy ingots for pressured die casting equipments. The company has a manufacturing unit, located in Prithla in Haryana with a capacity of 3000 Metric Tonnes per month with 86.18 percent utilization. The company also does trading which accounts for less than 5-10%.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of NAPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced management and reputed clientele coupled with healthy revenue growth

Namo Alloys Private Limited (NAPL) was incorporated in year 1996 by Mr. Neeraj Kumar Jain. The directors Mr. Neeraj Kumar Jain have around two decades of experience and Mr. Jaiprakash has 6-7 years 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. The turnover of NAPL significantly improved and stood at Rs.566.52 crore in FY2022 (Provisional) against 275.32 crore in FY2021. The turnover has increased by 51.40% in FY2022 (Provisional) as compared to the previous year. The turnover significantly improved in FY2022 (Provisional) majorly due to increase in price and capacity utilization. The capacity utilization have increased by 24.76% in FY2022 (Prov.) as compared to FY2021. The prices have increased by 50% in FY2022 (Prov.) as compared to FY2021. The Company has minimum annual orders in hand every year which is executed on a monthly basis. However, machineries are bought and efforts are taken to improve the process and production capacity. More so, the management has good relations of more than 10 years with reputed customers like Maruti Suzuki Ltd, FCC Clutch India Pvt. Ltd (BHW), Nissan Trading Company Ltd, etc. So, the outlook on revenues going forward is positive. Acuité believes that NAPL will continue to benefit from the promoter's established presence in the industry over the medium term.

>Working capital efficient nature of operations

NAPL's working capital operations are efficient marked by Moderate Gross Current Asset days (GCA) of 62 days in FY2022 (Provisional) against 107 days in FY2021. This is majorly on account of efficient inventory and receivable management. The inventory days improved and stood at 34 days in FY2022 (Provisional) against 40 days in FY2021. The company maintains an average inventory holding policy of 15-25 days. The debtors' days stood at 19 days in FY2022 (Provisional) against 45 days in FY2021 which is corresponding to normal terms with the customers. The credit period given to customers is 15-30 days. The creditors' days stood at 5 days in FY2022 (Provisional) against 3 days in FY2021 which is also corresponding to normal terms with the suppliers. The company makes advance payment / cash against documents / enjoys a credit period of 15 days from their suppliers. The current ratio of the firm also remained moderate at 1.47 times as on March 31, 2022 (Provisional). However, working capital limits remains utilized at 80-90 percent for last 6 months ended May, 2022.

Acuité believes that the ability of the company to maintain efficient working capital management will remain a key rating sensitivity.

>Comfortable financial risk profile

Financial risk profile of NAPL is comfortable marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 1.85 times as on March 31, 2022 (Provisional) against 2.75 times as on March 31, 2021 on account of plough back of profits to reserves. TOL/TNW stood at 2.11 times as on March 31, 2022 (Provisional) against 2.92 times as on March 31, 2021. Tangible net worth of the company stood modest at Rs.39.22 crore as on March 31, 2022 (Provisional) against Rs.24.74 crore as on March 31, 2021. Of the total debt of Rs.72.62 crore as on March 31, 2022 (Provisional), long-term debt stood at Rs.0.61 crore, short-term debt stood at Rs.61.25 crore, unsecured loans stood at Rs.10.27 crore and CPLTD stood at Rs.0.50 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 3.54 times and 0.23 times respectively in FY2022 (Provisional); while DSCR stood at 3.21 times in FY2022 (Provisional).

The company is planning to take a land on lease in Gujarat, and plans to start its operations by FY2023 which will further increase the capacity to 6000 MT per month. The total cost of operations is expected to be Rs. 12.00 crore which will be funded in 70:30 ratio i.e Term Loan:

Promoters contribution.

Acuité believes that the financial risk profile of the company is expected to remain comfortable in the absence of any major debt funded capex in near to medium term.

Weaknesses

>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 80-90 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.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Strong

NAPL has a strong liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.5.08 crore – Rs.16.65 crore during the last three years through FY2020-22 against moderate repayment obligations in the range of Rs.0.50 crore - Rs.1.05 crore during the same period. It is expected to generate cash accruals in the range of Rs.18.84 crore – Rs.25.48 crore over the medium term, against moderate repayment obligations in the range of Rs.0.11 crore-Rs.0.12 crore. Unencumbered cash and bank balances stood at Rs.2.41 crore as on March 31, 2022 (Provisional) with a current ratio of 1.47 times in the same period. Liquid investments stood at Rs.8.87 crore as on March 31, 2022 (Provisional). NAPL's working capital operations are efficient marked by moderate Gross Current Asset days (GCA) of 62 days in FY2022 (Provisional) against 107 days in FY2021. This is majorly on account of efficient inventory and receivable management. The company has not availed any covid loans / covid moratorium. However, working capital limits remains utilized at 80-90 percent for last 6 months ended May, 2022.

Acuité believes that liquidity profile is expected to remain strong on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that NAPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	566.52	275.32
PAT	Rs. Cr.	14.48	5.82
PAT Margin	(%)	2.56	2.12
Total Debt/Tangible Net Worth	Times	1.85	2.75
PBDIT/Interest	Times	3.54	2.47

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Mar 2021	Cash Credit	Long Term	43.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
08 Jan 2020	Cash Credit	Long Term	43.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
04 Oct 2019	Cash Credit	Long Term	43.00	ACUITE BB+ (Issuer not co-operating*)
23 Jul 2018	Cash Credit	Long Term	43.00	ACUITE BBB- Stable (Reaffirmed)
12 Jul 2017	Cash Credit	Long Term	43.00	ACUITE BBB- Stable (Reaffirmed)
31 Mar 2017	Cash Credit	Long Term	43.00	ACUITE BBB- (Issuer not co-operating*)
10 Dec 2015	Cash Credit	Long Term	43.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BB+ Stable Upgraded (from ACUITE BB-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ Stable Upgraded (from ACUITE BB-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+ Stable Assigned

Cash Credit includes sublimit of WCDL to the extent of Rs.15.00 crore, PC/PCFC/FDB/FBE/BRD to the extent of Rs.10.00 crore, 1 LC/FLC to the extent of Rs.20.00 crore and BG to the extent of Rs.2.00 crore.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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