



**Press Release**  
**Namo Alloys Private Limited**  
**August 31, 2023**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB   Stable   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.50.00 Cr bank facilities of Namu Alloys Private Limited (NAPL). The outlook is '**Stable**'.

**Rationale for Rating Downgrade**

Acuite factors in the dip in Operating income, Profitability, deterioration in Financial Risk Profile and Moderation in Working Capital operations of NAPL for the downgrade of rating.

The revenue from operations of the company witnessed moderation to Rs.~465.91 crore in FY2023 (Provisional) as against Rs. 567.26 crore in FY2022. The operating profit margin of the company moderated to 2.23 percent in FY2023 (Provisional) as against 3.77 percent in FY2022 and 4.80 percent in FY2021 majorly on account of increased raw material prices, lower Foreign Fluctuation gains in comparison to last year. Similarly, PAT Margin declined & stood at 0.08 Percent in FY 2023(Prov.) as against 2.22 percent in FY 2022. Interest coverage ratio moderated by 200 bps and stood low at 1.31 times for FY2023 (Prov.) as against 3.31 times in FY2022. Likewise, Debt Service coverage ratio moderated by 170 bps and stood low at 1.22 times for FY2023 (Prov.) as against 2.92 times in FY2022. Coupled to this, Working capital operations of the company moderated in FY 23. Taking into account the aforementioned factors the rating is downgraded.

Acuite believes that the company's ability to grow its scale of operations and improve profitability while maintaining a healthy capital structure remains a key rating monitorable.

**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 35000 Metric Tonnes.

**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**

Namu 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.

### **Working capital operations- Moderated yet Efficient**

Company has moderated yet efficient working capital requirements as evident from gross current assets (GCA) of 77 days in FY2023 (Prov.) as compared to 61 days in FY2022. Debtor days improved by 4 days and stood at 15 days in FY2023 (19 days in FY2022). Inventory days witnessed moderation of 17 days in FY 23. Inventory days stood at 50 days in FY2023 (Prov.) as against 33 days in FY2022.(40 days in FY 21)

### **Weaknesses**

#### **Business risk profile- Moderated**

NAPL's operation witnessed moderation which is apparent from dip in revenue from operations by ~17.87% in FY2023 (Prov.) to 465.91 crore as against Rs. 567.26 crore for FY2022. Moderation in operating income is on account of dip in sale volume. Volume sale in FY 23 was 24609 Tonnes as against 34375 tonnes in FY 22. Company has current orders in hand of Rs 26 crore. Company has booked operating income of Rs 139.73 crore in first 4 months of FY 24.

The operating profit margin of the company declined by 154 bps in FY 23 (Prov.). Operating Profit Margin of company stood at 2.23% in FY2023 (Prov.) as against 3.77% in FY2022 likewise the net profit margin of the company moderated by 114 bps and stood at 0.08 percent in FY2023 (Prov.) as against 2.22 percent in FY 22. ROCE of the company stood at 7.76 times in FY2023 (Prov.).

Moderation in operating profit margin is on account of increase in material input cost and lower absorption of fixed and semi fixed cost. Input cost increased from 89.72 percent in FY 22 to 92.04 percent in FY 23. Due to this increase in input cost Operating profit witnessed moderation.

#### **Financial Risk Profile –Moderated**

NAPL has moderate financial risk profile marked by moderate net worth and low debt protection metrics and high gearing. NAPL's net worth stood at Rs. 37.69 Cr (Prov.) as on 31st March 2023 as against Rs. 37.32 Cr as on 31st March 2022. Company follows aggressive leverage policy. Gearing levels (debt-to-equity) moderated by 31 bps and stood high at 2.26 times as on March 31, 2023 (Prov.) as against 1.95 times in FY 2022. Moderation in Gearing Ratio in FY 23 is on account of high utilization of working capital limits and additional loans taken by the company.

Further, the interest coverage ratio moderated by 200 bps and stood low at 1.31 times for FY2023 (Prov.) as against 3.31 times in FY2022. Likewise, Debt Service coverage ratio moderated by 170 bps and stood low at 1.22 times for FY2023 (Prov.) as against 2.92 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 2.38 times as on FY2023 (Prov.) vis-à-vis 2.25 times as on FY2022. Debt-EBITA deteriorated and stood at 7.66 times as on 31st March 2023(Prov.) as against 3.35 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.03 times as on FY2023 (Prov.) and 0.20 times for FY2022.

### **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.

### **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.

### **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.

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 2.48 crore for FY2023 (Prov.) as against obligations of Rs. 0.47 crore for the same period. Current Ratio stood at 1.77 times as on 31 March 2023(Prov.) as against 1.88 times in the previous year. Fund based working capital limits are utilized at ~92 per cent during the last twelve months ended July 23. Cash and Bank Balances of company stood at Rs 1.28 crore.

### **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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	465.91	567.26
PAT	Rs. Cr.	0.38	12.58
PAT Margin	(%)	0.08	2.22
Total Debt/Tangible Net Worth	Times	2.26	1.95
PBDIT/Interest	Times	1.31	3.31

### 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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jun 2022	Proposed Bank Facility	Long Term	7.00	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BB+   Stable (Upgraded from ACUITE BB-)
	Proposed Bank Facility	Long Term	3.00	ACUITE BB+   Stable (Upgraded from ACUITE BB-)
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+)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB   Stable   Downgraded

## Contacts

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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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