

March 08, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.60	SMERA BB/Stable (Assigned)
Cash Credit	1.50	SMERA BB/Stable (Assigned)
Letter of Credit	10.00	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.13.10 crore bank facilities of Galaxy Aluminium LLP (GAL). The outlook is '**Stable**'.

To arrive at the rating, SMERA consolidated the business and financial risk profiles of Galaxy Aluminium LLP (GAL) and Galaxy Transmissions Private Limited (GTPL), together referred to as the Galaxy Group. The consolidation is in view of the common promoters (Vhora family) and operational linkages within the group.

The ratings draw comfort from the promoter's extensive industry experience, healthy relations with customers and suppliers and improvement in the group's operating profitability. However, the ratings are constrained by the working capital intensive operations, uneven revenues trends that are majorly on account of volatile raw material prices and operations in a highly fragmented and competitive Cables and Conductors industry.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues
- Sustenance of operating margins in the range of 6 to 7 percent
- Efficient working capital management
- Price trends of key raw materials
- Future capital expenditure plans and its funding mix thereof

Outlook: Stable

SMERA believes that the Galaxy Group would continue to benefit over the medium term from its promoters' extensive industry experience and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the group generates substantial and sustainable revenues or operating margins thereby resulting in improvement in its existing business risk profiles especially market position. Conversely, the outlook may be revised to 'Negative' if the group's working capital cycle further deteriorates resulting in weakening of its existing financial risk profile particularly liquidity position.

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.

About the Galaxy Group

The two companies of the Galaxy Group, GTPL and GAL were established in 2006 and 2011 respectively and promoted by Mr. Subhash Vrajlal Vhora, Sameer Subhash Vhora and family.

GTPL is engaged in the manufacture of aluminium conductors used in power transmission and distribution. The company carries out its operations from Sangli, Maharashtra and Silvassa. It has a manufacturing capacity of 45,000 tonne per annum (tpa) for conductors and supplies products to Power Grid Corporation Indian Ltd, state electricity boards and private utilities.

GAL meets majority of the aluminium alloy rod requirement of GTPL with manufacturing capacity of 20,000 (tpa) for aluminium and aluminium alloy rods.

For FY2014-15, GAL and GTPL together reported profit after tax (PAT) of Rs.3.18 crore on operating income of Rs.170.78 crore as against net losses of Rs.0.67 crore on operating income of Rs.184.58 crore.

Contact List

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel No: 022 67141151 Cell: 9892306888 Email: suman.m@smera.in	Vinay Chhawchharia Associate Vice President- Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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