

Press Release

Galaxy Aluminium LLP

29 June, 2017



Rating Upgraded and Reaffirmed

Total Instruments Rated*	Rs.13.10 Cr
Long Term Rating	SMERA BB+ / Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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

GTPL and GAL, the two companies of the Galaxy Group, were established in 2006 and 2011 respectively. The group was 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 at Sangli, Maharashtra and Silvassa. The manufacturing capacity stands at 45,000 tonne per annum (tpa) for conductors. The company supplies products to Power Grid Corporation Indian Ltd, state electricity boards and private utilities. GAL meets most of the aluminium alloy rod requirement of GTPL with manufacturing capacity of 20,000 (tpa) for aluminium and aluminium alloy rods.

Key Rating Drivers

Strengths

Experienced management: The promoter of the group, Mr. Sameer Vhora possesses experience of two decades in the industry and has developed significant industry insight as well as healthy relations with customers and suppliers.

Moderate financial risk profile: The group has moderate financial risk profile marked by low gearing which stood at 1.92 times as on 31 March, 2016 as against 2.34 times as on 31 March, 2015. The ICR stood at 2 times for FY2016 as against 1.60 times for FY2015. The ROCE of the group has been healthy at 25.19 per cent in FY2016 as against 22.92 percent in FY2015. The TOL/TNW has been high at 3.36 times in FY2016. The net worth of the group has been healthy at Rs. 21.25 crore as on 31 March, 2016 as against Rs. 16.67 crore as on 31 March, 2015.

Reputed customer base: The group has reputed customers including Ashoka Buildcon Ltd, L & T Power, Gujarat State Electricity Board and Maharashtra State Electricity Board.

Weaknesses

Susceptibility of margins to volatility in raw material prices: The raw material (aluminum) cost comprises 70 per cent of cost of sales. Hence, the company is susceptible to adverse fluctuations in raw material prices in the absence of price escalation clause that may affect profitability

Highly competitive and fragmented industry: The Galaxy group operates in a highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

Working capital intensive operations: The operations of the group are working capital intensive marked by high debtor days of 66 for FY2016 as against 81 for FY2015. The inventory days stood at 44 for FY2016 as against 37 for FY2015. The creditor days stood at 44 for FY2016 as against 40 for FY2015.

Analytical Approach:

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

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.

About the Rated Entity - Key Financials

In FY2015-16, the group reported profit after tax (PAT) of Rs.4.38 crore on operating income of Rs.205.18 crore against PAT of Rs.3.18 crore on operating income of Rs.170.78 crore in the previous year

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08 March 2016	Term Loan	Long Term	INR 1.60	SMERA BB/Stable (Assigned)
	Cash Credit	Long Term	INR 1.50	SMERA BB/Stable (Assigned)
	Letter of Credit	Short Term	INR 10.00	SMERA A4+ (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
Term loans	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB+ / Stable (Upgraded from SMERA BB/Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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