

Press Release

Galaxy Aluminium LLP

September 04, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 13.10 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

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

Galaxy Transmission Private Limited (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 and Mr. Sameer Subhash Vhora along with their 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 firm 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.

Analytical Approach

To arrive at the rating, Acuité has 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 and operational linkages within the group.

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 1.30 times as on 31 March, 2018 (Provisional) as against 0.90 times as on 31 March, 2017. ICR stood at 2.36 times in FY2018 (Provisional) as against 1.66 times in FY2017. The ROCE of the group has been healthy at 18.07 percent in FY2018 (Provisional) as against 20.15 percent in FY2017. TOL/TNW has been average at 1.97 times in FY2018 (Provisional). The net worth of the group has been healthy at Rs.33.83 crore as on 31 March, 2018 (Provisional) as against Rs.27.65 crore as on 31 March, 2017.

- **Reputed customer base**

The group has reputed customers including Ashoka Buildcon Ltd, L & T Power, Gujarat State Electricity Board and Maharashtra State Electricity Board to name a few.

Weaknesses

- **Susceptibility of margins to volatility in raw material prices**

The raw material (aluminum) cost constitutes 70 percent of the cost of sales. Hence, the firm 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 49 in FY2018 (Provisional) as against 10 in FY2017. The inventory days stood at 37 in FY2018 (Provisional) as against 33 in FY2017. The creditor days stood at 19 in FY2018 (Provisional) as against 11 in FY2017.

Outlook: Stable

Acuité believes that the Galaxy Group will maintain a 'Stable' outlook over the medium term from its promoter's 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	293.71	278.38	272.02
EBITDA	Rs. Cr.	13.46	12.42	15.98
PAT	Rs. Cr.	6.11	2.76	4.38
EBITDA Margin	(%)	4.58	4.46	5.88
PAT Margin	(%)	2.08	0.99	1.61
ROCE	(%)	18.07	20.15	25.26
Total Debt/Tangible Net Worth	Times	1.30	0.90	1.93
PBDIT/Interest	Times	2.36	1.66	2.00
Total Debt/PBDIT	Times	3.28	1.92	2.45
Gross Current Assets (Days)	Days	100	55	96

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
29-Jun-2017	Term Loan	Long Term	1.60	ACUITE BB+ / Stable (Upgraded)
	Cash Credit	Long Term	1.50	ACUITE BB+ / Stable (Upgraded)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Upgraded)
08-Mar-2016	Term Loan	Long Term	1.60	ACUITE BB / Stable (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE BB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+ / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sanket Kotkar Analyst - Rating Operations Tel: 022-67141147 sanket.kotkar@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.