

## Press Release

### Galaxy Aluminium LLP

September 19, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.10	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	13.10	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has reaffirmed long-term rating of 'ACUITE BB+' (read as ACUITE double B plus) and short-term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.13.10 crore bank facilities of GALAXY ALUMINIUM LLP (GAL). The outlook is 'Stable'.

### Rational for Rating

The rating is reaffirmed taking into consideration the Group's operating and financial performance since the last review. The operating income of the group stood at Rs.118.52 Cr in FY2022 (Prov.) as against Rs.137.12 Cr in FY2021 and Rs.197.43 Cr in FY2020. The operating margins ranged between 2.85 to 5.20 percent in the last three years ended FY2022. The rating derives comfort from the established track record of operations, experienced management and moderate financial risk profile of the Group. These strengths are however, partially offset by the working capital intensive nature of operations and highly competitive and fragment nature of the industry.

### About Company

Galaxy Aluminum LLP is a Sangli-Maharashtra based firm, established in the year 2011. The firm is promoted by Mr. Subhash Vrajilal Vhora, Mr. Sameer Subhash Vhora and other family members. The firm is engaged as a rolling mill and has a capacity of manufacturing 20,000 MTPA of aluminum and aluminum alloys rods. The product manufactured by the firm is used as a backward integration for manufacturing aluminum conductors under the company-Galaxy Transmission Private Limited. The firm meets most of the aluminum alloy rod requirement of GTPL.

### About the Group

Galaxy Group is a Maharashtra based group founded in the year 1995. The group is promoted by the Vhora family led by Mr. Subhash Vrajilal Vhora and Mr. Sameer Subhash Vhora. The group comprises of two companies, namely Galaxy Aluminium LLP (GAL) and Galaxy Transmission Private Limited (GTPL). GTPL (erstwhile Galaxy cables) was established in the year 1995 and later in the year 2006, the constitution was changed to a private limited company. The group is engaged in manufacturing aluminum and aluminum alloy rods and

conductors. GAL is engaged in manufacturing aluminum and aluminum alloy rods whereas GTPL is engaged in manufacturing aluminum conductors that finds its use in power transmission and distribution industry. The manufacturing units are located at Sangli and Nagpur unit. The total manufacturing capacity is ~65,000 MTPA for conductors with ~65 per cent utilization. The group supplies products to Scottish chemical Industries, Zoya Enterprises and many other Private Utilities. GAL meets most of the aluminum alloy rod requirement of GTPL with manufacturing capacity of 20,000 MTPA for aluminum and aluminum alloy rods.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has 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' (GG), to arrive at the rating. The consolidation is in view of the common promoters and operational and financial linkages between the entities.

## **Key Rating Drivers**

### **Strengths**

#### **> Established track record of operations and experienced management**

The group was founded in 1995 by Mr. Subhash V. Vhora along with his family members. Thus, the group has an operational track record of over two decades in the aluminium products industry. Mr. Subhash V. Vhora along with his son Mr. Sameer Vora are involved in the day-to-day operations of the group and are ably supported a team of mid-level managers. The long track record of operations and experience of the management has helped the group develop healthy relationships with its customers and suppliers.

Acuité believes that the group will sustain its existing business profile on the back of established track record of operations and experienced management.

#### **> Moderate Financial Risk Profile**

The financial risk profile of the group is moderate marked by moderate net worth, low gearing and above average debt protection metrics. The tangible net worth stood at Rs.41.59 crore as on 31 March, 2022 (Prov) as against Rs.40.48 crore as on 31 March, 2021 and Rs.40.66 crore as on 31 March, 2020. The total debt of the Group stood at Rs.21.11 crore as on March 31, 2022 (Prov.) and includes Rs.7.43 crore of long-term debt and Rs.13.67 crore of short-term debt. The gearing (debt- equity) stood at 0.51 times as on 31 March, 2022 (Prov) as compared to 0.41 times as on 31 March, 2021 and 0.63 times as on 31 March, 2020. Interest Coverage Ratio stood at 1.96 times for FY2022 (Prov) as against 1.69 times for FY2021 and 2.13 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.93 times in FY2022 (Prov) as against 1.68 times in FY2021 and 1.88 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.03 times as on 31 March, 2022 (Prov) as against 0.97 times as on 31 March, 2021 and 1.40 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times for FY2022 (Prov).

Acuité believes that in the absence of any debt funded capex plan, the financial risk profile of the group is expected to remain moderate over the medium term.

### **Weaknesses**

#### **> Working capital intensive nature of operations**

The working capital nature of operations of the Group is intensive in nature, marked by GCA days of 186 days in FY2022 (Prov) as against 149 days in FY2021 and 127 days in FY2020. The debtor days stood at 90 days in FY2022 (Prov) as against 55 days in FY2021. The average credit period allowed to customers is 40-45 days. The Group's operations were significantly impacted due to Covid-19 (second wave) during FY2022 and surge in aluminium prices. The operations have shown robust recovery since then, marked by the improving trend in revenues month-on-month. Further, the debtors ageing of the Group as on March 31, 2022

shows that more than 95% of debtors are recoverable within 90 days. The creditor days stood at 29 days in FY2022 (Prov) as against 37 days in FY2021. The average credit period allowed by its suppliers is ~40-45 days for GTPL and for GALLP, procurement is done largely on advance payment basis. The inventory days stood at 68 days in FY2022 (Prov) as against 47 days in FY2021. The average bank limit utilisation of GALLP is around ~72.78%.

Acuite expects the working capital management to remain intensive over the medium term on account of high debtor collection and inventory holding period.

### >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.

### Rating Sensitivities

- Improvement in scale of operation while maintaining the profitability margin over the medium term.
- Any Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

### Material Covenants

None.

### Liquidity Position: Adequate

The Group's liquidity position is adequate marked by moderate net cash accruals against its maturing debt obligations. The Group has net cash accruals in the range of Rs.1.89-Rs.4.20 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.1.86 crore in the same tenure. The Group is expected to generate net cash accruals in the range of Rs.9.35-Rs.12.9 crores against the maturing repayment obligations of around Rs.3.11 crore over the medium term. The working capital management of the group is intensive marked by GCA days of 186 days in FY2022 (Prov) as against 149 days in FY2021. The Group maintains unencumbered cash and bank balances of Rs.4.63 crore as on March 31, 2022 (Prov). The current ratio stands at 1.82 times as on March 31, 2022 (Prov). The average bank limit utilization for the past 06 months June 2022 is ~ 72.78 percent.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accrual against its maturing repayment obligations over the medium term.

### Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and moderate financial risk profile. The outlook maybe revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability, while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	118.52	137.12
PAT	Rs. Cr.	1.14	0.59
PAT Margin	(%)	0.96	0.43

Total Debt/Tangible Net Worth	Times	0.51	0.41
PBDIT/Interest	Times	1.96	1.69

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

None

#### Any Other Information

None.

#### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
02 Jun 2022	Proposed Bank Facility	Long Term	1.60	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	1.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
09 Mar 2021	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.60	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB-   Stable (Reaffirmed)
01 Oct 2019	Cash Credit	Long Term	1.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	1.60	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
04 Sep 2018	Proposed Bank Facility	Long Term	1.60	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BB+   Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
29 Jun 2017	Term Loan	Long Term	1.60	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Cash Credit	Long Term	1.50	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB+   Stable   Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE BB+   Stable   Reaffirmed

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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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