

Press Release

Pratik Alloys Private Limited (PAPL)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.7.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Pratik Alloys Private Limited (PAPL). The outlook is '**Stable**'.

The Surat-based PAPL was incorporated in 2005. The company is engaged in the manufacturing of noble and bulk ferro alloys, aluminium products among others.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: The promoters, Mr Pratik V Patel, Mr Jigesh V Patel, Mrs Sheetal P Patel and Ilaben V Patel possess experience of over a decade in the metal industry.

Moderate financial risk profile: The moderate financial risk profile is marked by interest coverage ratio (ICR) of 1.48 times in FY2016 and gearing (debt-to-equity ratio) of 1.49 times as on 31 March, 2016.

Established relations with reputed clients: The company has long standing relations with reputed clients including Jindal Stainless limited, Bharat Heavy Electricals Limited among others.

Weaknesses:

Modest scale of operations: PAPL has modest scale of operations with operating income of Rs.16.82 crore in FY2015-16 as compared to Rs.11.00 crore in FY2014-15 and Rs.7.12 crore in FY2013-14.

Declining profit margins: The EBITDA margins are comfortable at 5.32 per cent in FY2016, 5.14 per cent in FY2015 and 6.09 per cent in FY2014. The PAT margins have declined from 2.21 per cent in FY2014 to 1.02 per cent in FY2016 mainly due to increase in interest cost.

Working capital intensive operations: The operations are working capital intensive marked by Gross current assets of 142 days in FY2016 on account of high debtors of 102 days. The working capital utilisation has been around 97 per cent in the last six months.

Analytical Approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

SMERA believes that PAPL will maintain a 'Stable' outlook in the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

PAPL is a Surat-based company established in 2005. The company is engaged in the manufacturing of noble and bulk ferro alloys, aluminium products among others. The company has an integrated processing plant located in Surat, Gujarat with installed capacity of 1200 MT per annum.

For FY2015-16, PAPL reported net profit of Rs.0.17 crore on operating income of Rs.16.82 crore, as compared with profit after tax of Rs.0.14 crore on operating income of Rs.11.00 crore in FY2014-15. The net worth stood at Rs.2.72 crore in FY2015-16 as compared to Rs.2.71 in FY2014-15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.38	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Proposed	LT	0.62	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-
Bill Discounting	ST	1.00	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00	SMERA B+/Stable (Assigned)
Term Loan	NA	NA	March, 2020	0.38	SMERA B+/Stable (Assigned)
Proposed	NA	NA	NA	0.62	SMERA B+/Stable (Assigned)
Bill Discounting	NA	NA	NA	1.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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