

Press Release

Pratik Alloys Private Limited

28 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.00 crore bank facilities of Pratik Alloys Private Limited. The outlook is '**Stable**'.

Surat-based, Pratik Alloys Private Limited (PAPL) incorporated in the year 2005 by Mr. Pratik Vasantbhai Patel. PAPL is engaged in to manufacturing of Noble Ferro alloys, Bulk Ferro alloys, Aluminium products and has an installed capacity of 2000 metric tonnes per year. The manufactured product portfolio finds its application in the production of steel alloy. The company procures its key raw material i.e. molybdenum oxide, Ferro Titanium oxide to name a few from Jharkhand, Odisha and Andhra Pradesh. PAPL imports aluminium powder from UAE which is accounted for 30% of its raw material.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter Mr. Pratik Vasantbhai Patel has 15 years of experience in the industry. The extensive experience of promoter has helped the company to establish good relations with various clients which in turn benefits in securing repeat orders.

- **Reputed clientele**

Over the years, the management has been able to establish long term relations with reputed players in the industry. PAPL caters to Jindal Stainless Ltd., BHEL, Aia Engineering Ltd. to name a few. SMERA believes that PAPL will continue to benefit from its experienced management and longstanding relations with clients.

Weaknesses

- **Working capital intensive operations**

PAPL has working capital intensive operations marked by gross current assets (GCA) of 142 days in both FY2017 and FY2016. The GCA days are high on account of debtor days to 84 days in FY2017 as compared to 102 days in FY2016. The inventory holding period is high at 53 days in FY2017 as against 33 days in FY2016. The average bank limit utilization stood at 85 percent for the average of six months ended March 2018. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Average Financial Risk Profile**

The financial risk profile of the firm is characterized by low networth, high gearing and debt protection measures. The networth base of the firm stood at Rs.1.98 crore as on 31st March 2017 as compared to Rs.2.72 crore as on 31st March 2016. The decrease in networth is mainly on account of re-classification of quasi equity into unsecured loans. Consequently, the gearing of the company stands high at 2.69 times as on 31st March 2017 as compared to 1.49 times as on 31st March 2016. The total debt includes working capital borrowings of Rs.4.35 crore and unsecured loans from family members and relatives of Rs.0.70 crore. The

interest coverage of the company stood at 1.44 times in FY2017 as against 1.48 times in the previous year. The net cash accruals to total debt (NCA/TD) stand at 0.05 times in FY2017 as compared to 0.06 times in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Pratik Alloys Private Limited to arrive at the rating

Outlook: Stable

Outlook: Stable SMERA believes PAPL will continue to benefit over the medium term from the promoters' experience in the metal industry. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth, or in case of improvement in the company's working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the firm's revenues and profitability, or deterioration in the firm's financial risk profile or working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.24	16.82	11.00
EBITDA	Rs. Cr.	0.97	0.92	0.57
PAT	Rs. Cr.	0.17	0.17	0.14
EBITDA Margin	(%)	5.60	5.44	5.14
PAT Margin	(%)	1.01	1.02	1.24
ROCE	(%)	12.48	13.02	19.70
Total Debt/Tangible Net Worth	Times	2.69	1.49	1.41
PBDIT/Interest	Times	1.44	1.48	1.83
Total Debt/PBDIT	Times	5.49	4.41	5.48
Gross Current Assets (Days)	Days	142	142	199

Any other information

Not Applicable

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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Feb-2017	Cash Credit	Long Term	5.00	SMERA B+ / Stable
	Term Loan	Long Term	0.38	SMERA B+ / Stable
	Proposed Bank Facility	Long Term	0.62	SMERA B+ / Stable
	Bills Discounting	Short Term	1.00	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.38	SMERA B+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.62	SMERA B+ / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

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ABOUT SMERA

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