



Press Release

Ratan Aluminum Recycling Private Limited

September 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of Ratan Aluminum Recycling Private Limited. The outlook is '**Stable**'.

Ratan Aluminum Recycling Private Limited (RARPL) was incorporated in 2011 as a private limited company by Mr. Om Prakash Paliwal and Mr. Puneet Paliwal. The company is engaged in the manufacturing of aluminium alloys and has an installed capacity of 1000 metric tonnes per month. The manufacturing facility is located at Faridabad, Haryana. The company procures its key raw material i.e. aluminium from Delhi, Haryana and Rajasthan and caters largely to the automobile industry.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Om Prakash Paliwal and Mr. Puneet Paliwal have six years of experience in the aluminium industry. The business is also supported by second line of management.

- **Efficient working capital cycle**

The company has a comfortable working capital cycle marked by gross current asset (GCA) days of 106 days in FY2016-17 (Provisional) as compared to 92 days in FY2015-16. The comfortable GCA days is on account of efficient inventory of 32 days and better realisation from debtor of 66 days respectively in FY2016-17 (Provisional).

Weaknesses

- **Modest financial risk profile**

The financial risk profile of the company is characterised by relatively low networth, high gearing and moderate debt protection measures. The networth base stood at Rs.5.65 crore as on 31 March, 2017 (Provisional) compared to Rs.5.46 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs.0.55 crore in FY2017 (Provisional) compared to Rs.0.75 crore in FY2016 from promoters which is subordinated to bank debt. Hence, SMERA has treated the same as quasi equity. The gearing stood high at 2.11 times as on 31 March, 2017 (Provisional) compared to 1.83 times as on 31 March, 2016. The total debt includes term loan of Rs.2.41 crore and working capital limit of Rs.9.49 crore. The interest coverage stood at 1.42 times in FY2017 (Provisional) as against 1.53 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.06 times in FY2017 (Provisional) compared to 0.05 times in FY2016. The debt service coverage ratio (DSCR) stood moderate at 1.52 times in FY2017 (Provisional) as against 1.43 times in FY2016. SMERA expects the company to continue its moderate risk profile over the near to medium term. Further, the company's ability to improve its net worth along with debt protection metrics will be the key credit monitorables.

- **Intense competition**

The company faces intense competition from various players which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and cash accruals and improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile due to debt-funded capex.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.72.24 crore, compared to Rs.0.28 crore on operating income of Rs.64.93 crore in FY2016. The net worth stood at Rs.5.65 crore as on 31 March, 2017 (Provisional) against Rs.5.46 crore a year earlier. The net worth of Rs.5.65 crore in FY2017 (Provisional) includes quasi equity of Rs.0.55 crore.

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	10.00	SMERA B+ / Stable

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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