

Press Release

Ratan Aluminum Recycling Private Limited (RARPL)

16 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr. (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA B+ /Outlook: Stable

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 12.00 crore bank facilities of Ratan Aluminum Recycling Private Limited (RARPL). 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 115 days in FY2017 as compared to 92 days in FY2016. The comfortable GCA days are on account of efficient inventory of 42 days and better realisation from debtor of 66 days respectively in FY2017.

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.5.56 crore as on 31 March, 2017 compared to Rs.5.46 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs.0.55 crore in FY2017 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 2.14 times as on 31 March, 2017 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 1.57 times in FY2017 as against 1.55 times in the

previous year. The net cash accrals to total debt (NCA/TD) stood at 0.05 times in FY2017 compared to 0.05 times in FY2016. The debt service coverage ratio (DSCR) stood moderate at 1.43 times in FY2017 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 profiles of RARPL to arrive at the rating.

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 accrals 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	71.82	64.93	99.57
EBITDA	Rs. Cr.	1.99	1.90	2.17
PAT	Rs. Cr.	0.30	0.28	0.46
EBITDA Margin	(%)	2.77	2.92	2.18
PAT Margin	(%)	0.42	0.42	0.46
ROCE	(%)	10.70	11.05	13.93
Total Debt/Tangible Net Worth	Times	2.14	1.83	1.84
PBDIT/Interest	Times	1.57	1.55	1.65
Total Debt/PBDIT	Times	5.92	5.18	4.33
Gross Current Assets (Days)	Days	115	92	85

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

None

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2017	Cash Credit	Long Term	10.00	SMERA B+ / Stable (assigned)

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00 (Enhanced from Rs.10.00Cr.)	SMERA B+ / Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary, Senior Analyst - Rating Operations Tel: +91-22-6714 1159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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