

Press Release

Ratan Aluminum Recycling Private Limited

November 27, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.12.00 Crore bank facilities of Ratan Aluminum Recycling Private Limited (RARPL).

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuité's policy.

About the Company

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 aluminum 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. aluminum from Delhi, Haryana and Rajasthan and caters largely to the automobile industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RARPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

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

- **Efficient working capital cycle**

The working capital cycle of RARPL stood comfortable marked by Gross Current Assets (GCA) days of 88 for FY2020 (Provisional) as well as in FY2019. The debtor's collection period has reduced from 45 days in FY2019 to 37 days in FY2020 (Provisional). The inventory days have increased and stood at 43 days in FY2020 (Provisional) as against 32 days in FY2019.

Weaknesses

- **Average Financial risk profile**

RARPL financial risk profile of the company remained average marked by moderate net worth and average debt protection metrics. The net worth of the company stood at Rs.7.09 Crore as on 31 March 2020 (Provisional) as against Rs.6.32 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 2.17 times as on 31 March 2020 (Provisional) as against 2.42 times as on 31 March 2019. The total debt of Rs.15.35 Crore as on 31 March 2020 (Provisional) consists of long term debt of Rs.1.45 Crore, Unsecured loans from promoters of Rs.1.43 Crore and working capital borrowings of Rs.12.47 Crore. The interest coverage ratio (ICR) stood at 1.85 times in FY2020 (Provisional) as against 1.74 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood same at 0.07 times in FY2020 (Provisional) as well as in FY2019. Debt to EBITDA stood at 5.18 times in FY2020 (Provisional) as against 4.69 times in FY2019. This is mainly due to low net cash accruals and high external debt during the year.

Rating sensitivity

Not applicable

Material Covenant

None

Liquidity position: Adequate

Company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. RARPL generated cash accruals of Rs.1.09 Crore in FY2020 (Provisional) as against debt maturity obligation ~Rs.0.40 Crore for the year. The company's working capital operations are comfortable marked by Gross Current Asset (GCA) days of 88 days in FY2020 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.21 Crore as on 31 March 2020 (Provisional). The current ratio stands at 1.43 times as on 31 March 2020 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	118.28	124.64
PAT	Rs. Cr.	0.78	0.91
PAT Margin	(%)	0.66	0.73
Total Debt/Tangible Net Worth	Times	2.17	2.42
PBDIT/Interest	Times	1.85	1.74

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

RARPL's rating was flagged off as Issuer not cooperating with Brickwork, through its rating rationale dated May 04th, 2020. The reason provided by Brickwork is non-furnishing of information by RARPL.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
August 25, 2020	Cash Credit	Long Term	12.00	ACUITE B+ (Indicative)
May 27, 2019	Cash Credit	Long Term	12.00	ACUITE B+ (Indicative)
March 16, 2018	Cash Credit	Long Term	12.00	ACUITE B+/Stable (Reaffirmed)

***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	12.00	ACUITE B+ (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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