

Press Release

Alom Extrusions Limited

11 September, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Alom Extrusions Limited (AEL). The outlook is '**Stable**'.

Incorporated in 1980, AEL is engaged in the manufacturing of aluminum-extruded products used in buildings, architectural structures and solar panels. The company, promoted by Mr. Sawal Ram Jhunjunwala and family, has two operating units, one each at Howrah (West Bengal) and Balasore (Odisha), with combined capacity of 20,800 tons per annum.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The Kolkata-based AEL was incorporated in 1980. Promoted by Mr. Sawal Ram Jhunjunwala and family, the company is led by Mr. AP Jhunjunwala and Mr. SP Jhunjunwala who possess more than three decades of experience in the aluminum extrusions business.

- Established relations with customers and suppliers**

The company has long term relations with distributors and suppliers. AEL has a distributor network of around 30 spread across Kolkata and Delhi that caters to a reputed customer base including Tata Solar Power, BHEL to name a few. It procures aluminum ingots and billets from NALCO, Vedanta Aluminium Limited and KCO Aluminium LLP.

- Moderate financial risk profile**

AEL's moderate financial risk profile is marked by gearing of 1.27 times in FY2016-17 (Provisional) as against 1.39 times in the previous year. The interest coverage ratio improved to 1.97 times in FY2016-17 (Provisional) from 1.61 times in FY2015-16. The DSCR improved to 1.55 times in FY2016-17 (Provisional) from 1.28 times in the previous year. AEL has a healthy net worth base of Rs.41.37 crore in FY2016-17 (Provisional) as against Rs 39.90 crore in FY2015-16.

Weaknesses

- Stagnancy in scale of operations**

The revenue has been stagnant at Rs.179.68 crore in FY2017 (Provisional) and Rs.162.37 crore in FY2011 registering a nominal CAGR of 1.70 per cent in the last six years.

- Working capital intensive operations**

The operations are working capital intensive reflected in the gross current assets (GCA) of 161 in

FY2016-17 (Provisional) and 151 days in FY2015-16. The high GCA days emanate from the collection and inventory holding period of 45 days and 63 days respectively in FY2017 as against 55 days and 35 days in the previous year. The operations are expected to remain working capital intensive as the company holds inventory of around 60 days.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of AEL.

Outlook: Stable

SMERA believes that AEL will maintain a stable outlook over the medium term owing to its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while registering sustained improvement in profit margins and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability or capital structure. Any lengthening of working capital cycle may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2017 (Provisional), AEL reported Profit after Tax (PAT) of Rs. 1.55 crore on total operating income of Rs.179.68 crore compared with PAT of Rs. 1.17 crore on total operating income of Rs. 177.84 crore in FY2016.

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

CRISIL in its press release dated April 14, 2016 inter alia has stated the following 'CRISIL has suspended its ratings on the bank facilities of Alom Extrusions Limited (AEL). The suspension of ratings is on account of non-cooperation by AEL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, AEL is yet to provide adequate information to enable CRISIL to assess AEL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information. CRISIL considers information availability risk as a key factor in its rating process as outlined in its criteria 'Information Availability - a key risk factor in credit ratings.

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.25	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA A4+
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA A4+

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