

Press Release

GTS ALLOYS PRIVATE LIMITED

17 January, 2018



Rating Assigned

Total Bank Facilities Rated	Rs. 8.00crore
Long Term Rating	SMERA BB-/ Stable (Assigned)

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the above mentioned Rs.8.00 crore bank facilities of GTS Alloys Private Limited. The outlook is '**Stable**'.

The Bangalore-based GTS Alloys Private Limited (GAPL) was, incorporated in 1999 by Directors, Mr. Arunachalam Ganeshan and Mrs. Ganeshan Rathnavalli. The company manufactures aluminium ingots and caters mainly to the automobile industry. The installed capacity stands at 2500MT per annum.

List of key rating drivers and their detailed description:

Strengths

Experienced management

GAPL was incorporated in 1999 by Mr. Arunachalam Ganeshan and Mrs. Ganeshan Rathnavalli. The directors have around three decades of experience in the metal industry.

Moderate financial risk profile

GAPL has moderate financial risk profile marked by tangible net worth of Rs. 5.16 crore as on 31 March, 2017 compared to Rs. 4.92 crore as on 31 March, 2016. The adjusted gearing stood at 0.98 times as on 31 March, 2017 as against 0.85 times as on 31 March, 2016. The Interest Coverage Ratio stood at 1.87 times and Debt Service Coverage ratio (DSCR) at 1.68 times as on 31 March, 2017. The Total outside Liabilities/Total Net worth stood at 1.27 times as on 31 March, 2017 as against 0.94 times as on 31 March, 2016.

Weaknesses

Customer concentration risk

GAPL is exposed to customer concentration risk as two of its customers' account for more than 95 percent of total revenue. However, the risk is mitigated to a certain extent as the company has long term relations of 15 years with them.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 191 days in FY2017 compared to 167 days in the previous year. The GCA days are mainly dominated by high inventory of 95 days in FY2017 compared to 120 days in FY2016. The average cash credit utilisation for the past six months stood at 98 percent. SMERA believes that efficient working capital management will be crucial in order to maintain a stable credit profile.

Competitive and fragmented industry

GAPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting the bargaining power and margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GAPL to arrive at the rating.

Outlook – Stable

SMERA believes that GAPL will maintain a stable outlook over the medium term owing to its scale of operations and capital structure. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.63	17.64	23.79
EBITDA	Rs. Cr.	0.97	0.73	0.75
PAT	Rs. Cr.	0.23	0.13	0.16
EBITDA Margin	(%)	4.72	4.16	3.16
PAT Margin	(%)	1.10	0.72	0.66
ROCE	(%)	8.79	6.97	14.19
Total Debt/Tangible Net Worth	Times	0.98	0.85	1.04
PBDIT/Interest	Times	1.87	1.52	1.67
Total Debt/PBDIT	Times	5.23	5.75	6.37
Gross Current Assets (Days)	Days	191	167	148

Any other information:

Not Applicable

Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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>

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

None

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	8.00	SMERA BB-/ Stable

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ABOUT SMERA

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