

Press Release

R Y Extrusion Private Limited

08 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA BB/Stable

**Refer annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 7.00 crore bank facilities of R Y Extrusion Private Limited. The outlook is '**Stable**'.

R Y Extrusion Private Limited (RYEPL) was incorporated in 2011 by Mr. Rajesh Yadav and Mr. Shashwat Yadav. The company is engaged in the manufacturing of aluminium extrusion (aluminium profiles) for commercial and industrial use. RYEPL manufactures profiles of 6063 T4, 6063 T5, 6063 T6, and EC alloys ranging from 5mm to 125mm in diameter. It caters to various industries including railways, pharmaceutical and electrical. The day-to-day operations are led by Mr. Shashwat Yadav. The manufacturing facility is located at Ambarnath, Maharashtra.

Key Rating Drivers

Strengths

Experienced management

RYEPL was incorporated in 2011 by Mr. Rajesh Yadav and Mr. Shashwat Yadav who possess extensive experience in the industry. The day-to-day operations are led by Mr. Shashwat Yadav. The management has more than a decade of experience in the aluminium industry.

Efficient working capital cycle

The working capital cycle is efficient marked by GCA days of 53 in FY2017 as against 45 days in FY2016. This is majorly on account of low inventory holding period of 16 days in FY2017 as against 30 days in FY2016. Since the company is into aluminium extrusion, the inventory is low. Also the receivable days are low at 28 days in FY2017 as against 13 days in FY2016. The working capital cycle days are also comfortable at 33 in FY2017 as against 17 in FY2016. The average bank limit utilisation stood at 52.71 per cent for the last six months ended December 2017. SMERA believes that the company will maintain an efficient working capital over the near to medium term.

Improvement in scale of operations

RYEPL has registered growth in revenue during the period FY2015 to FY2017. The operating income stood at Rs.23.85 crore in FY2017 as against Rs. 12.94 crore in FY2016 and Rs. 3.19 crore in FY2015. Further, the company booked revenue of around Rs.28 crore for the period April to December 2017 (Provisional). SMERA believes that RYEPL will sustain growth in revenues over the near to medium term.

Average financial risk profile

The financial risk profile of RYEPL is average marked by net worth of Rs.6.84 crore as on 31 March, 2017 (which includes Rs. 8.30 crore treated as quasi equity) as against Rs.5.14 crore as on 31 March, 2016. The gearing stood at 0.22 times as on 31 March, 2017 as against 0.35 times as on 31 March, 2016. The total debt of Rs.1.50 crore outstanding as on 31 March, 2017 is working capital borrowing from the bank. The Debt Service Coverage Ratio stood at 8.97 times in FY2017 as against 1.06 times in FY2016. The company plans to avail new term loan of Rs. 4.00 crore. The term loan is expected to be repaid with DSCR ranging ~2.00 to 3.00 times over the near to medium term. The net cash accruals stood at Rs. 1.06 crore in FY2017 as against Rs. 0.02 crore in FY2016.

SMERA believes that RYEPL will sustain its existing financial risk profile on the back of sufficient net cash accruals over the near to medium term.

Weaknesses

Limited track record of operations

The company was incorporated in 2011. The company suffered losses of Rs. 0.59 crore in FY2016 and Rs. 1.43 crore in FY2015. However, in FY2017 the company registered net profit of Rs. 0.43 crore.

Debt funded capex plan

The company plans to expand capacity to 425 MT tonnes per month (Previous capacity 225 MT per month) at a total cost of around Rs. ~7 crore to be funded through a term loan of Rs. 4.00 crore and unsecured loans from directors of Rs. 3.00 crore. The company will be installing new machinery which will be imported from China. The commercial production is expected to start from June 2018.

SMERA believes that timely installation of machinery and generation of sufficient net cash accruals from this project in order to repay its debt obligation would be a key rating sensitivity.

Highly fragmented and competitive industry

RYEPL operates in a highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of RYEPL to arrive at the rating.

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>

Outlook: Stable

SMERA believes that RYEPL will maintain a stable outlook on account of its experienced management and diversified product profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability and deterioration in the financial risk profile.

About the rated entity – key financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.85	12.94	3.19
EBITDA	Rs. Cr.	1.11	0.27	-0.72
PAT	Rs. Cr.	0.43	-0.59	-1.43
EBITDA Margin	(%)	4.64	2.08	-22.48
PAT Margin	(%)	1.82	-4.53	-44.68
ROCE	(%)	7.67	-4.73	-34.08
Total Debt/Tangible Net Worth	Times	0.22	0.35	0.39
PBDIT/Interest	Times	8.97	1.06	-4.12
Total Debt/PBDIT	Times	1.25	6.48	-3.08
Gross Current Assets (Days)	Days	53	45	143

Status of non-cooperation with previous CRA (if applicable): ICRA Ratings vide its press release dated December 02, 2016 has stated, "ICRA has suspended the [ICRA] B-(pronounced ICRA B minus) rating assigned to the Rs. 6.00crore long-term bank facilities of R. Y Extrusion Private Limited (REYPL /the company).The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company."

Any other information: None

Rating History for the last three years:NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term loan	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/Stable

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ABOUT SMERA

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