

Press Release

R Y Extrusion Private Limited

July 05, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 7.00 crore bank facilities of R Y Extrusion Private Limited (RYEPL). The outlook is '**Stable**'.

RYEPL was incorporated in 2011 by Mr. Rajesh Yadav and Mr. Shashwat Yadav and commenced its commercial operations in 2014. RYEPL is engaged in manufacturing business of aluminium extrusion known as aluminium profiles for commercial and industrial use. The company has its manufacturing unit in Navi Mumbai with installed capacity of 180 Metric Tonnes Per Month (MTPM).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RYEPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

The company is promoted by Mr. Shashwat Yadav and Mr. Rajesh Yadav having almost two decades of experience in the industry. This has helped the company to develop healthy relationship with its customers.

Acuité believes RYEPL will sustain its existing business risk profile on the back of experienced management.

- **Efficient working capital management**

RYEPL's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 43-56 days over the three years ended March 31 2018 driven by efficient receivables (13-28 days) and prudent inventory (16-30 days) respectively. Further its working capital requirement is supported by creditors (11-26 days). The bank limit of Rs.3.00 crore was utilised at an average of around 73 percent over the 6 months ended May 2019.

Acuité believes that RYEPL's operation continues to be efficiently managed by efficient collection and Just in time inventory mechanism.

Weaknesses

- **Average financial risk profile**

RYEPL has average financial risk profile marked by tangible net worth of Rs.6.04 crore as on 31 March 2018. This includes unsecured loan of Rs.7.00 crore as on 31 March 2018 which is considered as quasi equity. The adjusted gearing stood at 0.74 times as on 31 March 2018. The debt of Rs.5.70 crore as on 31 March 2018 consists of working capital borrowings of Rs.2.82 crore, unsecured loans from directors of Rs.1.20 crore and term loans of Rs.1.04 crore. The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) of 4.54 times in FY2018 as against 8.97 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.37 times as on 31 March 2018 as compared to 0.65 times as on 31 March 2017. Net cash Accruals/Total Debt stands at 0.19 times in FY2018 as against 0.39 times in FY2019. Debt to EBITDA stands at 4.15 times as on 31 March 2018 as compared to 2.34 times as on 31 March 2017.

Acuité believes that the company to maintain its financial risk profile over medium term in absence of significant debt-funded capital expenditure plan.

- **Exposure to intense competition**

The company faces intense competition from reputed players in this segment such as Hindalco Industries Nalco and among others.

Liquidity Position:

RYEPL has adequate liquidity marked by net cash accruals of Rs.1.10 crore in FY2018 against maturing debt obligations of Rs.0.64 crore. The cash accruals of RYEPL are estimated to remain around Rs.0.94 crore to Rs.1.48 crore during 2019-21. The working capital operations are efficiently managed as marked by gross current asset (GCA) days of 52 in FY2018. The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2018. The current ratio of the company stands healthy at 0.92 times as on March 31, 2018. Acuité believes that the liquidity of the RYEPL is likely to remain adequate over the medium term on account of sufficient cash accrual against repayments over the medium term.

Outlook: Stable

Acuité believes that RYEPL will maintain a 'Stable' business risk profile over the medium term based on its experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in the scale of operations while improvement in profit margins. Conversely the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst competition or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.70	23.85	12.94
EBITDA	Rs. Cr.	1.36	1.11	0.27
PAT	Rs. Cr.	0.49	0.45	-0.59
EBITDA Margin	(%)	3.52	4.64	2.08
PAT Margin	(%)	1.26	1.87	-4.53
ROCE	(%)	7.52	7.56	-10.01
Total Debt/Tangible Net Worth	Times	0.94	0.50	0.41
PBDIT/Interest	Times	4.54	8.97	1.06
Total Debt/PBDIT	Times	4.15	2.34	7.34
Gross Current Assets (Days)	Days	52	56	43

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-May-2019	Cash Credit	Long Term	INR 3	ACUITE BB (Indicative)
	Term Loan	Long Term	INR 4	ACUITE BB (Indicative)
08-Mar-2018	Cash Credit	Long Term	INR 3	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	INR 4	ACUITE BB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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