

Press Release

Galco Extrusions Private Limited

May 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.15.00 crore bank facilities of Galco Extrusions Private Limited. The outlook is '**Stable**'.

Galco Extrusions private Limited (GEPL) was incorporated in 2007 but started its commercial operation in 2010. GEPL is engaged in the manufacturing of aluminium extruded profiles which is used in the shipping, defense, railway, windmill industry. The manufacturing unit is located at Ahmednagar with capacity of 4500 MTPA.

Key rating drivers

Strengths

Experienced management:

The Promoters, Mr. Sandesh Lodha, Mr. Pritesh Lodha, Mrs. Dipika Lodha and Smt. Sujata Rajendra Lodha collectively possess around two decades of experience in the same industry.

Moderate financial risk profile:

The financial risk profile of the firm is moderate marked by adjusted net worth of Rs.10.88 crore as on 31 March, 2018 (Provisional) as against Rs.9.28 crore as on 31 March, 2017. The net worth includes Rs.4.69 crore of unsecured loan and same is subordinated to bank debt. The gearing ratio stood at 1.08 times as on 31 March, 2017 as against 0.99 times as on 31 March, 2016. The total debt of Rs.10.02 crore includes unsecured loans from Directors of Rs.1.48 crore and working capital funds of Rs.8.54 crore. The Interest Coverage Ratio (ICR) stood at 3.98 times and Debt Service Coverage Ratio (DSCR) stood at 3.47 times for FY2017. The Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.92 times as on 31 March, 2017 as against 1.99 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.28 times in FY2017 as against 0.17 times in FY2016.

Modest scale of operations:

The scale of operations of the company has been modest. The revenues have significantly increased in FY2017 and stood at Rs.73.11 crore compared to Rs.50.37 crore in FY2016. The company has recorded revenues of Rs.81.98 crore in FY2018 (Provisional).

Weaknesses

Low profitability margins:

GEPL reported operating margin of 6.04 percent for FY2017 as against 5.14 percent in the previous year. However, the net profit margins are thin at 1.80 percent for FY2017.

Volatility in raw material prices and government regulations:

The aluminium prices are highly fluctuating. However, the purchase and sales price depends on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement in aluminium prices will further impacts profitability.

Highly competitive industry:

GEPL is exposed to intense competition from organised and unorganised players in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Galco Extrusions Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that GEPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.11	50.37	46.06
EBITDA	Rs. Cr.	4.42	2.59	2.76
PAT	Rs. Cr.	1.32	(0.01)	(0.01)
EBITDA Margin	(%)	6.04	5.14	6.00
PAT Margin	(%)	1.80	(0.19)	(0.18)
ROCE	(%)	17.24	7.64	15.05
Total Debt/Tangible Net Worth	Times	1.08	0.99	1.07
PBDIT/Interest	Times	3.98	2.33	2.29
Total Debt/PBDIT	Times	2.24	2.92	3.07
Gross Current Assets (Days)	Days	94	113	110

Status of non-cooperation with previous CRA (if applicable): None

Any other information: Not Applicable

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	9.00	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.56	SMERA BB-/ Stable (Assigned)
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	4.44	SMERA BB-/ Stable (Assigned)

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ABOUT SMERA

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