

Press Release

Specific Alloys Private Limited

July 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.10.00 crore bank facilities of Specific Alloys Private Limited. The outlook is '**Stable**'.

Incorporated in 2000, Specific Alloys Private Limited (SAPL) is a Maharashtra based company engaged in manufacturing of aluminum alloys of all grades. It has two manufacturing units, one in Alandi (Maharashtra) with capacity of 375 MT per month and other in Pirangut (Maharashtra) with capacity of 225 MT per month.

Key Rating Drivers

Strengths

• Experienced management

Incorporated in 2000, Specific Alloys Private Limited (SAPL) is led by Mr. Narendra Mohanlal Surana (Managing Director) who has experience of more than three decades in aluminum industry along with Mr. Lakendra Narendra Surana and Mr. Jinendra Narendra Surana (Directors) who have experience of a decade in aluminum industry individually. The extensive experience of the directors has led to established market presence of SAPL enabling it to build strong business ties with its suppliers and customers.

• Consistent growth in scale of operations

SAPL has reported operating income of Rs.92.03 crore for FY2018 (Provisional) which has improved from Rs.72.35 crore in FY2017 and Rs.67.51 crore in FY2016. This is mainly due to increase in production capacity and efficiency. Acuite believes that going forward the revenues will increase on account of increase in scale of operations and the profitability will increase on account of efforts been taken for backward integration.

• Comfortable working capital operations

SAPL's operations are comfortable in nature marked by Gross Current Assets (GCA) of 72 days in FY2018 (Provisional) as against 108 days in FY2017. Inventory holding period stood at 34 days in FY2018 (Provisional) as against 45 days in FY2017. Debtors' outstanding had improved to 36 days in FY2018 (Provisional) as against 57 days in FY2017. This is because the sales are made on the basis of bill discounting. Further, creditors also improved to 2 days in FY2018 (Provisional) as against 19 days in FY2017. The company's liquidity profile is stretched as its average working capital limit utilisation is 97 percent in the last six months ended May 2018.

Weaknesses

• Deterioration in profitability

The operating margins have deteriorated to 3.64 percent in FY2018 (Provisional) as against 7.72 percent in FY2017. This is mainly due to increase in the cost of raw materials on account of use of better quality of raw materials which further reduces processing time. Profit after Tax (PAT) margin has deteriorated to 0.98 percent in FY2018 (provisional) as against 1.01 percent in FY2017.

• Moderate financial risk profile

SAPL has moderate financial risk profile marked by tangible net worth of Rs.6.65 crore as on 31 March, 2018 (Provisional) as against Rs.5.50 crore as on 31 March, 2017. This is mainly due to accretion of reserves. The gearing (debt-equity) stood at 3.11 times as on 31 March, 2018 (Provisional) as against 3.90 times as on 31 March, 2017. The total debt of Rs.20.68 crore as on 31 March, 2018 (Provisional) comprises term loan of Rs.0.77 crore, unsecured loan of Rs.12.67 crore from directors and financial institutions and Rs.7.24 crore of working capital borrowings. The Interest Coverage Ratio (ICR) stood at 1.71 times in FY2018 (Provisional) as against 1.30 times in FY2017. Total outside Liability / Total Net Worth (TOL/TNW) stood at 3.19 times in FY2018 (Provisional) as against 4.52 times in FY2017.

• Competitive nature of industry

SAPL operates in a highly competitive and fragmented industry characterised by presence of large number of organised and unorganised players affecting margins and bargaining power with customers.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SAPL to arrive at this rating.

Outlook: Stable

Acuite believes that SAPL will maintain a 'Stable' business profile in the medium term while benefitting from its experienced management, growth in operations and comfortable working capital cycle. The outlook may be revised to 'Positive' if SAPL shows significant improvement in financial risk profile and revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in-case of further deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	92.03	72.35	67.51
EBITDA	Rs. Cr.	3.35	5.59	4.13
PAT	Rs. Cr.	0.90	0.73	0.62
EBITDA Margin	(%)	3.64	7.72	6.12
PAT Margin	(%)	0.98	1.01	0.92
ROCE	(%)	12.08	19.99	16.30
Total Debt/Tangible Net Worth	Times	3.11	3.90	4.62
PBDIT/Interest	Times	1.71	1.30	1.36
Total Debt/PBDIT	Times	5.81	3.83	5.26
Gross Current Assets (Days)	Days	72	108	109

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

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	7.50	ACUITE BB- / Stable (Assigned)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Assigned)

*sublimit is bill discounting of Rs. 2.00 crore.

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About Acuité Ratings & Research:

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