

Press Release

Specific Alloys Private Limited

September 17, 2019

Rating Reaffirmed



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 reaffirmed 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 is operated by its managing director, Mr. Narendra Mohanlal Surana, along with directors, Mr. Lakendra Narendra Surana and Mr. Jinendra Narendra Surana. It has two manufacturing units; one in Alandi, Maharashtra whose capacity is 375 MT per month with utilization of 370 MT per month and another one in Pirangut, Maharashtra, whose capacity is 225 MT per month with utilization of 150 MT per month.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Incorporated in 2000, Specific Alloys Private Limited (SAPL) is led by its managing director, Mr. Narendra Mohanlal Surana, who has experience of more than three decades in the aluminum industry and directors, Mr. Lakendra Narendra Surana and Mr. Jinendra Narendra Surana, who have experience of a decade in the aluminum industry. 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

The revenue of the company has grown at a CAGR of 10.71 per cent for last four years ending FY2019. The revenue stood at Rs.84.67 crore in FY2018 as against Rs.72.35 crore in the previous year. Further, the revenue grew by ~8.20 per cent in FY2019 (Provisional) and stood at Rs.91.61 crore.

• Comfortable working capital operations

SAPL's working capital operations are comfortable in nature marked by Gross Current Assets (GCA) of 81 days in FY2019 (provisional) as against 97 days in FY2018. Inventory holding period stood at 45 days in FY2019 (provisional) as against 50 days in FY2018. Debtors' outstanding had improved to 35 days in FY2019 (provisional) as against 46 days in FY2017. This is because the sales are made on the basis of bill discounting. Further, creditor days also improved to 2 days in FY2018 and 57 days in FY2017. The bank limits are fully utilised for last six months ending August 2019.

Weaknesses

• Decline in profitability

The operating margins have declined to 6.49 per cent in FY2019 (provisional) from 7.21 per cent in FY2018 and 7.72 per cent in FY2017. Profit after Tax (PAT) margin has marginally deteriorated to 0.98 per cent in FY2019 (provisional) as against 1.07 per cent in FY2018.

• Moderate financial risk profile

The financial risk profile of SAPL is moderate marked low net worth moderate coverage indicators and high gearing. The tangible net worth of the company stood low at Rs.7.87 crore as on 31 March, 2019 (Provisional) as against Rs.6.54 crore in the previous year. The gearing (debt-equity) stood at 3.23 times as on 31 March, 2019 (Provisional) as against 3.51 times as on 31 March, 2018. The total debt as on 31 March 2019 of Rs.25.44 crore majorly comprises term loan of Rs.11.79 crore, unsecured loans of Rs.2.83 crore and working capital facility of Rs. 9.50 crore. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR), which stood at 1.40 times for FY2019 (Provisional) as against 1.39 times for FY2018. Debt Servicing Coverage Ratio (DSCR) stood at 1.01 times for FY2019 (Provisional) as against 0.99 times for FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 3.36 times as on 31 March, 2019 (Provisional) as against 3.84 times as on 31 March, 2018. Net cash accrual to total debt (NCA/TD) stood at 0.05 times for FY2019 (Provisional) and FY2018.

• 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.

Liquidity Position

SAPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.35 crore in FY2019 (provisional), Rs.1.26 crore in FY2018 and Rs.0.99 crore in FY2017, while its maturing debt obligation was Rs.1.32 crore in FY2019 (Provisional), FY2018 and FY2017. The company's working capital operations are efficient as marked by gross current asset (GCA) days of 81 in FY2019 (Provisional). Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains fully utilised during the last 6 months' period ended August, 2019. The company maintains unencumbered cash and bank balances of Rs.0.90 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 2.05 times as on March 31, 2019 (Provisional).

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 ATPL 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	91.61	84.67	72.35
EBITDA	Rs. Cr.	5.94	6.10	5.59
PAT	Rs. Cr.	0.90	0.91	0.73
EBITDA Margin	(%)	6.49	7.21	7.72
PAT Margin	(%)	0.98	1.07	1.01
ROCE	(%)	17.93	20.39	19.99
Total Debt/Tangible Net Worth	Times	3.23	3.51	3.90
PBDIT/Interest	Times	1.40	1.39	1.30
Total Debt/PBDIT	Times	4.18	3.77	3.84
Gross Current Assets (Days)	Days	81	97	108

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

None.

Any other information

None.

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
04-Jul-2018	Cash Credit	Long Term	7.50	ACUITE BB- / Stable (Assigned)
	Bills Discounting	Short Term	2.50	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB- / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)

*sublimit is bill discounting of Rs. 2.00 crore.

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About Acuité Ratings & Research:

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