

Press Release

Specific Alloys Private Limited

April 06, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.50	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	14.50	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.14.50 Cr. bank facilities of Specific Alloys Private Limited (SAPL).

Rationale for downgrade

The rating is downgraded basis the information available in a credit bureau report which reflects asset categorization for some of the debt facilities availed by SAPL as sub-standard and doubtful.

About the Company

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 another one in Pirangut, Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and 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.

Weaknesses

Defaults in servicing debt repayments

SAPL, as per credit bureau report has defaulted and is categorised as sub-standard and doubtful. Going forward, its ability to timely service its debt obligations will remain a key rating sensitivity.

Working Capital Intensive Operation

Working capital operations of the company is intensive marked by GCA days of 345 days in FY2022 as against 290 days in FY2021. High GCA days are driven by high debtor and inventory days. Debtor days stood at 205 days in FY2022 as against 168 days in FY2021. Higher debtor days in FY2022 is on account of year end sales in FY2022. Inventory holding period stood at 135 days in FY2022 as against 126 days in FY2021. Raw materials of the company majorly include aluminium scrap.

Deteriorating operating performance

Operating performance of SAPL has seen a deterioration as revenues of the company have dropped to Rs. 46.16 crores in FY2022 from Rs. 51.00 crores in FY2021. Its peak turnover was at Rs. 92.20 crore in FY2018. Specific Alloys Pvt Ltd manufactures various types of Aluminum alloys for Auto ancillary companies. EBITDA margins of the company remained range bound at 8.13 percent in FY2022 as against 8.94 percent in FY2022. PAT margins stood at 1.18 percent in FY2022 as against 1.05 percent in FY2021.

Weak Financial risk profile

Financial risk profile of the company is weak with a moderate tangible network, high gearing and stretched debt protection metrics. Tangible network of the company stood at Rs. 10.16 crore as on 31 st March 2022 as against 9.61 crore as on 31 st March 2021. Increase in tangible network is on account of accretion of profits to reserves. Gearing of the company is high at 4.24 times as on 31 st March, 2022 as against 4.32 times as on 31 st March, 2021. TOL/TNW stood at 4.26 times as on 31 st March 2022 as against 4.39 times as on 31 st March, 2021. Debt protection metrics of the company is stretched with DSCR below unity. DSCR of the company stood at 0.69 in FY2022 as against 0.52 times in FY2021. Interest coverage ratio stood at 1.29 times in FY2022 as against 1.36 times in FY2021.

Rating Sensitivities

Timely repayment of debt obligation

Material covenants

None

Liquidity Position

Poor

SAPL has a poor liquidity as the SAPL was unable to pay its debt obligation on time and the account is categorised as sub-standard and doubtful.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	46.16	51.00
PAT	Rs. Cr.	0.85	0.53
PAT Margin	(%)	1.84	1.05

Total Debt/Tangible Net Worth	Times	4.24	4.32
PBDIT/Interest	Times	1.40	1.36

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2022	Cash Credit	Long Term	4.50	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE B+ Stable (Reaffirmed)
29 Aug 2022	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Reaffirmed)
	Bills Discounting	Short Term	2.50	ACUITE A4 (Reaffirmed)
09 Jun 2021	Bills Discounting	Short Term	2.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Downgraded from ACUITE BB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE C Downgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE C Downgraded

Contacts

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About Acuité Ratings & Research

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