

Press Release

ALSTONE INTERNATIONAL

D-U-N-S® Number: 67-548-3430

February 26, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs.18.00 crore bank facilities of ALSTONE INTERNATIONAL (AI). The outlook is '**Stable**'.

Delhi based, AI was established in 2004 by Mr. Sumit Gupta and Mr. Pawan Garg. The Partnership firm is engaged in manufacturing of Aluminium Composite Panel (ACP), which finds its use in internal and external decoration of commercial buildings, roofing and false ceiling. AI has a plant in Dehradun with annual capacity of 40 million Square feet of ACP. The firm has Pan-India presence through a network of ~150 dealers and ~13 warehouses.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AI to arrive at the rating.

Key Rating Drivers

Strengths

- **Diversified presence and reputed clientele**

AI has pan-India presence through its widely spread network of ~150 dealers and ~13 warehouses. The ACP manufactured by AI has been used by Airport Authority of India, DLF, Delhi Metro Rail Corporation (DMRC), and Hospitality companies, among others.

- **Healthy financial risk profile**

AI has healthy financial risk profile as marked by net worth of Rs.74.69 crore in FY2018 as compared to Rs.60.14 crore in the previous year. Gearing of the firm as shown by debt-equity ratio stood at 0.17 times in FY2018 as against 0.27 times in the previous year. Total debt of the firm in FY2018 was ~Rs.12.67 crore, of which unsecured loans from director/promoters consists of ~ Rs.11.22 crore, long term debt contributes to ~ Rs.1.34 crore and balance is in the form of short term debt. Interest Coverage Ratio (ICR) stood moderate at 19.73 times in FY2018 as compared to 16.78 times in the previous year. Total Outstanding Liability to Total Net Worth (TOL/TNW) stood at 0.60 times in FY2018 as against 0.76 times a year ago. Acuité believes that the financial risk profile of the firm will remain healthy backed by healthy net cash accruals and absence of any major debt funded capex.

- **Healthy working capital cycle**

The firm has healthy working capital operations as evident from its Gross Current Assets (GCA) of 208 days as on March 31, 2018 as against 198 days as on March 31, 2017. Inventory days stood at 138 as on March 31, 2018 as against 122 days as on March 31, 2017. The high inventory was due to network base of ~150 dealers and ~12 warehouses across India. Debtor days stood at 64 as on March 31, 2018 as against 65 days as on March 31, 2017. Healthy working capital management has led to low utilisation of its working capital limits over the past six months ended December 2018.

Weaknesses

• **Susceptibility of operating margins to volatility in raw material prices**

Operating margins of the group is susceptible to changes in aluminum and plastic prices, which are highly volatile. Any abrupt change in raw material prices could lead to distortion in market prices and affect the profitability of players. Operating margins of the firm declined from 15.42 percent in FY2017 to 14.09 percent in FY2018.

• **Risk of capital withdrawal**

The firm is exposed to risk of capital withdrawal considering its partnership constitution. There have been instances of capital withdrawal in the history of its operation.

Liquidity position

AI has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.18.88 crore in FY2018, while its maturing debt obligations were in the range of Rs.1.00 – 1.34 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.18.00 -19.00 crore during 2019-21. The firm's operations are working capital healthy as marked by gross current asset (GCA) days of 208 in FY 2018. This has led to low reliance on working capital borrowings; the cash credit limit in the group remains utilised at ~10 percent during the last 12 months period ended December 2018. The current ratio of the firm stands healthy at 3.27 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain healthy over the medium term on account of significant cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that AI will continue to maintain a 'Stable' outlook over the medium term owing to the Diversified presence and reputed clientele base. The outlook may be revised to 'Positive' if the firm reports growth in revenue while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of any decline in revenues or any significant capital withdrawal.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	178.81	171.14	170.31
EBITDA	Rs. Cr.	25.20	26.38	26.78
PAT	Rs. Cr.	17.16	17.02	17.03
EBITDA Margin	(%)	14.09	15.42	15.73
PAT Margin	(%)	9.60	9.95	10.00
ROCE	(%)	30.29	34.73	73.87
Total Debt/Tangible Net Worth	Times	0.17	0.27	0.42
PBDIT/Interest	Times	19.73	16.78	17.53
Total Debt/PBDIT	Times	0.48	0.62	0.74
Gross Current Assets (Days)	Days	208	198	185

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2

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About Acuité Ratings & Research:

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