

Press Release

APL Metals Limited

April 11, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 87.00 Cr. (Enhanced from Rs. 10.00 crore)
Long Term Rating	ACUITE BB+ / Outlook:Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs. 87.00 crore bank facilities of APL Metals Limited (APL). The outlook is '**Stable**'.

APL, formerly known as Associated Pigments Limited, is a Kolkata based company which was established in 1948 by Late Mr. D. N. Sahaya. The commercial operations began in 1955. Currently, the company is headed by Mr. Sanjiv Nandan Sahaya as Managing Director. APL is engaged in manufacturing of refined lead, lead alloys and lead oxides, such as red lead, lead sub oxide and litharge which are used mainly for manufacturing of batteries and also for rolled extrusions, pigments used in paints, cable sheathing and ammunition, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company was initially promoted by Late D. N. Sahaya and currently, the company is headed by Mr. Sanjiv Nandan Sahaya as Managing Director, along with others. The current promoters have extensive experience of more than five decades in this line of business. Acuité believes that the company will continue to benefit from its experienced management.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by tangible net worth of Rs.31.74 crore as on 31 March, 2018 as against Rs.24.92 crore as on 31 March, 2017. Net worth includes Rs.22.30 crore of unsecured loans from Directors, which has been subordinated to the bank debt and has been treated as quasi equity by Acuité. The gearing stood moderate at 1.60 times as on 31 March, 2018 as against 1.68 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.59 times as on 31 March, 2018 as against 4.03 times as on 31 March, 2017.

The total debt of Rs.50.64 crore consist of term loan and preferential shares outstanding to the tune of Rs.11.53 crore, unsecured loans from Directors and relatives of Rs.7.43 crore, short term debt of Rs.30.57 crore and current maturities of long term debt (CPLTD) of Rs.1.10 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood comfortable at 2.15 times in FY2018 as against 1.29 times in FY2017. Debt Service Coverage Ratio (DSCR) stood moderate at 1.58 times in FY2018 as against 1.08 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on 31 March, 2018 as against 0.07 times as on 31 March, 2017.

- **Efficient working capital operations**

The company's working capital operations are prudent marked by improvement in Gross Current Asset (GCA) to 85 days in FY2018 compared to 122 days in FY2017. The GCA days are dominated mainly on account of inventory of 60 days in FY2018 compared to 90 days in FY2017, mainly because of procurement of key raw material both domestically and as well as through imports. The debtor days stood comfortable at 16 days for FY2018 and in FY2017, majorly because of the fast realisation of receivables from key customers. The working capital intensity is further reflected from the bank limit utilisation of ~ 94 per cent of its working capital facilities.

Weaknesses

- **Customer concentration risk**

The company faces high customer concentration risk. Its major customer is Exide Industries Limited who accounted for more than 90 percent of its sales in the last three years period ended FY2018. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

- **Limited value addition and competitive market**

The business of processing of lead alloys has the scope of low value addition, which results in low profitability margins. Consequently, APL's EBITDA margin remains low at 3.85 percent in FY2018. The company also faces competition from other lead alloy manufactures with the presence of a large number of organised and unorganised players.

Liquidity Position:

APL's liquidity profile is comfortable marked by healthy net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs.0.44-8.57 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.10-1.74 crore over the same period. The bank limit in the company remains utilised at ~94 percent during the 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.1.47 crore as on March 31, 2018. The current ratio of the company stands modest at 1.24 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that APL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	539.65	327.88	329.22
EBITDA	Rs. Cr.	20.79	13.33	9.80
PAT	Rs. Cr.	5.31	0.41	0.44
EBITDA Margin	(%)	3.85	4.06	2.98
PAT Margin	(%)	0.98	0.12	0.13
ROCE	(%)	28.05	20.95	38.05
Total Debt/Tangible Net Worth	Times	1.60	1.68	11.48
PBDIT/Interest	Times	2.15	1.29	1.07
Total Debt/PBDIT	Times	2.42	3.12	6.06
Gross Current Assets (Days)	Days	85	122	116

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>
- 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
22-Mar-2019	Cash Credit	Long Term	10.00	ACUITE BB+/ Stable (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	24.00 (Enhanced from Rs. 10.00 crore)	ACUITE BB+/ Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BB+/ Stable (Assigned)

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About Acuité Ratings & Research:

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