

Press Release

APL Metals Limited

August 19, 2020

Rating Upgraded



Total Bank Facilities Rated	Rs. 87.00 crore
Long Term Rating	ACUITE BB+/ Stable (Upgraded from ACUITE BB)

* Refer Annexure for details

Rating Rationale

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

The rating was downgraded as per the press release dated 19th June, 2020 on account of information risk. However, the company has now cooperated with Acuité for the review.

APL Metals Limited (AML), formerly known as Associated Pigments Limited, a Kolkata based company was established in 1948 for which the commercial operations began in 1955. It is listed in Calcutta Stock Exchange (CSE). It is engaged in manufacturing of refined lead, lead alloys and lead oxides, which are used in the manufacturing of batteries, rolled extrusions, pigments used in paints, cable sheathing, ammunition etc. The company procures its key raw materials, both domestically as well as imports from other countries. The installed capacity is around 50000 MTPA for refined lead, 50000 MTPA for lead alloys and 7800 MTPA for lead oxide. The operations of AML are currently managed by Mr. Sanjiv Nandan Sahaya.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in 1948, the company has an operational track record of more than seven decades in the business. The company benefits from the extensive experience of its promoter Mr. Sanjiv Nandan Sahaya, who possesses more than five decades of experience along with others. The company benefits from its long association with its customer, Exide Industries Limited. Acuité expects the business risk profile of the company to strengthen backed by its association with its key customer and experienced management.

- **Moderate financial risk profile**

The financial risk profile of AML is marked by moderate networth, high gearing level, and modest debt protection metrics. The tangible networth stood at Rs 19.94 crore as on 31st March, 2020 as compared to Rs 15.67 crore in the previous year. The improvement in networth is mainly due to the retention of profits. AML had issued non-convertible preference shares of Rs 6.16 crore which will be repaid in FY 2029 and therefore has been treated as quasi-equity. The gearing (debt-equity) stood high at 4.10 times as on 31st March, 2020 as compared to 6.07 times in the previous year. The total debt of Rs 81.83 crore as on 31st March, 2020 consist of working capital borrowings of Rs 57.00 crore, unsecured loan from directors of Rs 18.81 crore and term loan of Rs 6.02 crore. The coverage indicators stood moderate marked by Interest coverage ratio (ICR) which stood at 1.60 times for FY 2020 as compared to 1.14 times in FY 2019 and DSCR (Debt Service Coverage Ratio) stood at 1.23 times in FY 2020 as against 1.05 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.06 times in FY 2020 and 0.02 times in FY2019. Debt to EBITDA stood at 3.25 times in FY 2020 as against 5.19 times in FY 2019. The financial risk profile is expected to remain at similar levels in the absence of any debt-funded capex plan and stable accruals.

Weaknesses

• Customer concentration risk

The company faces high customer concentration risk as its major customer is Exide Industries Limited which has accounted for more than 90 percent of the revenue in the last three years till FY2020. Hence, 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 processing of lead alloys involves limited value addition which in turn constrains the profitability margins. Consequently, AML's EBITDA margin remains low at 3.94 percent in FY2020. The company also faces competition from other lead alloy manufacturers with the presence of a large number of organised and unorganised players.

Rating Sensitivity

- Substantial growth in revenue coupled with improving profitability
- Improvement in the capital structure

Material Covenants

None

Liquidity Profile: Stretched

AML has stretched liquidity marked by full utilization of its bank limits for the past seven months till June 2020. The company generated cash accruals of Rs 1.89-5.05 crore in FY 2019-2020 while its maturing debt obligations were around Rs 1.10-1.20 crore during the same period. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 91 days in FY 2020 as compared to 79 days in the previous year. The company maintains unencumbered cash and bank balances of Rs. 1.62 crore as on March 31, 2020. The current ratio stood at 1.20 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term on account of modest accruals.

Outlook: Stable

Acuité believes that AML's outlook will remain 'Stable' over the medium term from its experienced management and comfortable working capital cycle. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while improving its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or increasing working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	517.97	555.85
PAT	Rs. Cr.	3.69	0.58
PAT Margin	(%)	0.71	0.10
Total Debt/Tangible Net Worth	Times	4.10	6.07
PBDIT/Interest	Times	1.60	1.14

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-Jun-2020	Cash Credit	Long Term	24.00	ACUITE BB (Downgraded from ACUITE BB+/ Stable) Issuer not co-operating*
	Bill Discounting	Long Term	30.00	ACUITE BB (Downgraded from ACUITE BB+/ Stable) Issuer not co-operating*
	Letter of Credit	Long Term	33.00	ACUITE BB (Downgraded from ACUITE BB+/ Stable) Issuer not co-operating*
11-Apr-2019	Cash Credit	Long Term	24.00	ACUITE BB+/Stable (Reaffirmed)
	Bill Discounting	Long Term	30.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Long Term	33.00	ACUITE BB+/Stable (Assigned)
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	29-Mar-2019	Not Applicable	Not Applicable	24.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB)
Bill Discounting	29-Mar-2019	Not Applicable	Not Applicable	30.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB)
Letter of Credit	29-Mar-2019	Not Applicable	Not Applicable	33.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB)

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About Acuité Ratings & Research:

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