

Press Release

APL Metals Limited

December 29, 2022



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	87.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	117.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from **Acuite BBB-** (Read as **Acuite Triple B Minus**) on the Rs.87.00 crore bank facilities of APL Metals Limited.

Acuite has also assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.30.00 crore bank facilities of APL Metals Limited. The outlook is '**Stable**'.

Rationale for the rating

The rating downgrade is on account of continuous deterioration in financial risk profile of the company marked by high leverage, moderate debt protection metrics and modest network worth during FY2022. The rating downgrade is also on account of deterioration in operating profitability margin during FY2022 over FY2021 which has remained subdued during 6MFY2023 as well. The ratings, however, continue to favorably factor in the long experience of the promoters in lead business, established track record and healthy scale of operation.

About the Company

APL Metals Limited (APL), formerly known as Associated Pigments Limited, is a Kolkata based company, established in 1948 and commercial operations having begun in 1955. It is listed in Calcutta Stock Exchange Limited (CSE). APL is engaged in the manufacturing of refined lead, lead alloys and lead oxides with the combined installed capacity of 127730 MTPA, which are used in manufacturing of batteries, rolled extrusions, pigments used in paints, cable sheathing, among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of APL while arriving at the rating

Key Rating Drivers

Strengths

Long track record of operations and experienced management

The company has a long operational track record in the lead industry for more than 60 years. AML's board of directors comprise of Shri Sanjiv Nandan Sahaya as the Chairman and Managing Director, Mr. Raghav Bajoria, Mr. Prakash Kumar Damani and Mr. Rahul Damani as the other directors in the board with an experience of nearly two decades. Acuité believes that the long operational track record of AML along with the long experience of the management will continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Healthy scale of operation

The revenue of the company stood healthy at Rs.724.64 crore in FY2022 as compared to Rs.633.29 crore in the previous year. Further, the company has reported revenues of Rs.420.70 crore till 30th September 2022 (Prov.). The growth in sales during FY2022 over FY2021 is attributable to better realization though there has been a decrease in volume sales during the same period. Acuité believes the revenue of the company will increase going forward based on the steady demand for refined lead, lead alloys and lead oxides in the global market.

Comfortable working capital management

The working capital management of the company is marked by comfortable gross current asset (GCA) days of 86 days in FY2022 as compared to 88 days in FY2021. The debtor days of the company stood comfortable at 02 days in FY2022 as compared to 01 days in the previous year. The inventory days of the company stood comfortable at 79 days in FY2022 as compared to 83 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Weaknesses

Volatile profitability margin

The operating profitability margin of the company has declined and stood moderate at 3.05 per cent in FY2022 as compared to 4.09 per cent in the previous year. This deterioration in operating profitability is on account of increase in raw material cost and power cost during the period. Further, the operating profitability stood moderate 3.30 per cent till 30th Sept 2022 (Prov.). Going forward, Acuite believes, that the profitability margin of the company will remain at moderate levels over the medium term backed by overall moderation in realization.

Moderate financial risk profile

The financial risk profile of the company is marked by modest net worth, high gearing and comfortable debt protection metrics. The net worth of the company stood modest at Rs.31.90 crore in FY 2022 as compared to Rs 33.38 crore in FY2021. The total network of company includes RS.7.31 crore of unsecured loan termed as quasi equity in FY2022 as the same amount is subordinated to bank debt. The gearing of the company deteriorated to 4.14 times as on March 31, 2022 when compared to 2.61 times as on March 31, 2021. The increase in gearing is mainly on account of increase in short term debt and long-term debt during the period. Interest coverage ratio (ICR) is comfortable and stood at 1.58 times in FY2022 as against 1.70 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood moderate at 1.22 times in FY2022 as compared to 1.40 times in the previous year. The net cash accruals to total debt (NCA/TD) declined to 0.05 times in FY2022 as compared to 0.09 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain moderate on account of steady net cash accruals and no major debt funded capex plan over the near term.

Customer concentration risk

More than 70-80% of the revenues of AML is attributable to the sales made to Exide Industries Limited. However, the company benefits with the association of this reputed client for more than 50 years, and supporting the company to garner repeat orders. Acuite believes that going forward the company would continue to benefit with its association with Exide Industries Limited and simultaneously increase its export sales, thereby reducing the customer concentration risk to some extent.

Susceptible to the volatility in the raw material prices and government regulation

AML's main raw material i.e, lead, exhibits high volatility in terms of price. However, this risk is mitigated by the company's ability to simultaneously procure the raw materials as and when the order for sales is received. Moreover, the lead metal industry is also susceptible to the changes in government policies and environmental norms. Any non-compliance with the prevailing regulations and norms, could affect the operations of the company.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Further deterioration in capital structure
- Deterioration in the working capital cycle leading to stressed liquidity position

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity position marked by comfortable net cash accruals of Rs.6.41 crore as against Rs.2.70 term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 6.82 crore to Rs. 9.58 crore during 2023-24 as against of Rs.6.02 crore long term debt obligations during FY2023 and in FY2024 respectively. The current ratio of the company stood moderate at 1.37 times in FY2022. The Gross Current Asset (GCA) days of the company stood comfortable at 86 days in FY2022. The bank limit of the company has been ~75 percent utilized during the last six months ended November 2022. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Acuite believes that APL will maintain a 'Stable' outlook and continue to benefit over the medium term from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of improvement in their profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or further rise in debt levels thus impacting the leverage ratios.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	724.64	633.29
PAT	Rs. Cr.	4.96	6.72
PAT Margin	(%)	0.68	1.06
Total Debt/Tangible Net Worth	Times	4.14	2.61
PBDIT/Interest	Times	1.58	1.70

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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
18 Oct 2021	Letter of Credit	Long Term	33.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	24.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bills Discounting	Long Term	30.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
19 Aug 2020	Bills Discounting	Long Term	30.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Letter of Credit	Long Term	33.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	24.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
19 Jun 2020	Bills Discounting	Long Term	30.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Long Term	33.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	24.00	ACUITE BB (Downgraded and Issuer not co-operating*)
11 Apr 2019	Letter of Credit	Long Term	33.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	24.00	ACUITE BB+ Stable (Reaffirmed)
	Bills Discounting	Long Term	30.00	ACUITE BB+ Stable (Assigned)
22 Mar 2019	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BB+ Stable Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE BB+ Stable Downgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE BB+ Stable Downgraded
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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