

## Press Release

APL Metals Limited

March 16, 2023



## Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE C   Downgraded	-
Bank Loan Ratings	87.00	ACUITE D   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	117.00	-	-

## Rating Rationale

Acuite has downgraded its long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.87.00 crore and also downgraded its long term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.30.00 crore bank facilities of APL Metals Limited.

## Rating Rationale

The rating downgrade reflects the overdrawal in their working capital facilities for more than 30 days till March 2023 as per a written communication received from their lead banker. However, for the other lender there is no irregularity in account conduct.

## 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. APL'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.

## Weaknesses

### Continuous overdrawal in working capital limits

AML has been facing significant liquidity pressure which has impeded continuous overdrawal in pre-shipment credit for more than 30 days till March 2023. These limits have been availed from their lead banker.

### 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 networth of company includes RS.7.31crore 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 FY21. The net cash accruals to total debt (NCA/TD) declined to 0.05 times in FY2022 as compared to 0.09 times in FY21. 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.

## Rating Sensitivities

- Timely servicing of debt obligations

## Material covenants

None

## Liquidity Position

Poor

The company has a poor liquidity position marked by the overdue in the working capital limits. The company generated cash accruals of Rs.6.41 crore in FY22. The company maintains unencumbered cash and bank balances of Rs.0.38 crore as on March 31, 2022 and the current ratio also stood moderate at 1.37 times as on March 31, 2022.

## Outlook:

Not Applicable

## 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)

Care Ratings vide its press release dated July 25 2022, had reaffirmed the company to CARE B+; INC.

### 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>

### 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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2022	Bills Discounting	Long Term	30.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	15.00	ACUITE BB+   Stable (Assigned)
	Letter of Credit	Long Term	15.00	ACUITE BB+   Stable (Assigned)
	Letter of Credit	Long Term	33.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	24.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
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*)

## 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 D   Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE D   Downgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE C   Downgraded
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE C   Downgraded
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE D   Downgraded

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### About Acuité Ratings & Research

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