

Press Release

Gloria Alluminium India Private Limited

December 02, 2020

Rating Upgraded & Assigned



Total Bank Facilities Rated*	Rs.6.00 Cr.
Long Term Rating	ACUITE B+/Outlook: Stable (Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.6.00 crore bank facilities of Gloria Alluminium India Private Limited (GA IPL). The outlook is '**Stable**'.

Reason for Upgrade

The rating is upgraded on account of mitigation of project risk, experienced management and improvement in the financial risk profile followed by improvement in the debt protection metrics. Though the operating income of the company has declined in FY2020, EBITDA in absolute term has improved to Rs.1.47Cr (Prov.) in FY2020 as against Rs.0.11Cr in FY2019. The company has registered a net profit of Rs.0.06crore since its inception. The operating margins have also shown improvement in FY2020 as against previous year. Coverage ratios have shown improvement in FY2020 as against FY2019 marked by Interest coverage ratio and Debt service coverage ratio of 3.37 times (Prov.) and 2.00 times (Prov.) as against 0.41 times and 0.49 times in FY2019.

About the Company

Incorporated in the year 2016, GA IPL is a Maharashtra based company engaged in the manufacturing of Aluminium extrusions. The company is promoted by the Agarwal family led by Mr. R.M. Agarwal, Mr. P.M. Agarwal and others. The company has its manufacturing unit located at Pune, Maharashtra with an installed capacity of 2100 MTPA. The capacity utilization is around 73.81 percent in FY19-20.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GA IPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced Management

GA IPL was established in the year 2016. The company is promoted by the Agarwal family led by Mr. R.M. Agarwal, Mr. P.M. Agarwal and others who have more than two decades of experience through a partnership firm by the name of Gloria Engineering company which was established in the year 1996 and is engaged in manufacturing of automotive components for commercial vehicles, passenger cars and farm equipment aggregates. The extensive experience of the promoters has helped the company to cater new customers. The company predominantly caters to its customers located in Maharashtra. The operating income of the company has declined by around 5.64 percent to Rs.27.53Cr (Prov.) in FY2020 from Rs.29.17Cr in FY2019.

Acuite believes that GA IPL will sustain its existing business risk profile on back of experienced management and the ability of the company to acquire and maintain long standing relations with its customers.

customers and suppliers.

Weaknesses

• Working capital intensive nature of operations

GA IPL's working capital operation is intensive in nature marked by high gross current asset (GCA) days of around 137 days (Prov.) in FY2020 as against 130 days in FY2019. The company had maintained an inventory holding period of around 64 days (Prov.) as on March 31, 2020 as against 41 days as on March 31, 2019. The company has to maintain longer inventory holding period since the company is engaged in manufacturing the product of 80-90 different designs. GA IPL had extended a credit period of around 71 days (Prov.) as on March 31, 2020 to its customer as against 63 days as on March 31, 2019. On the other hand, the company's credit payment period to its supplier is around 36 days (Prov.) as on March 31, 2020. The working capital limit is moderate, leading to moderate utilization of its bank line at an average of around 71.23 percent over the last six months through September, 2020, while its peak utilization was high at around 95.50 percent during the same period. Acuite believes that the working capital operations of the company will continue to remain intensive on account of its high receivable collection period.

• Average Financial Risk Profile

GA IPL's financial risk profile is average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.2.35Cr (Prov.) as on March 31, 2020 as against Rs.(1.08)Cr as on March 31, 2019. The company has followed aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 4.46times (Prov.) and 5.33 times (Prov.) respectively as on March 31, 2020. The company incurred capex of Rs.1.68Cr over the last year to expand its scale of operation, while its incremental working capital requirement over the same period to support the increase in scale of operation has been around Rs.0.19Cr. The company, on the other hand, generated cash accruals in the range of Rs.0.90Cr to Rs.1.10Cr over the same period. GA IPL's cash accrual over the next three years through FY2023 is estimated to remain in the range of Rs.0.90Cr to Rs.1.20Cr. The gearing, however is expected to be high at around times 4.51 times as on March 31, 2021.

The revenue of the company has declined by around 5.64 percent to Rs.27.53Cr (Prov.) in FY2020 as against Rs.29.17Cr in FY2019, while its operating margins has improved to 5.34percent (Prov.) in FY2020 as against 0.37 percent in FY2019. The low profitability levels, coupled with moderate debt levels, have led to moderate debt protection metrics. The NCA/TD and interest coverage ratio stood at 0.10 times (Prov.) and 3.37 times (Prov.) respectively in FY2020 as against (0.02) times and 0.41 times respectively in FY2019. The Debt-EBITA ratio stood at 7.11 times (Prov.) in FY2020 as against 73.64 times in FY2019.

• Limited track record of operation

The company commenced its commercial operation in the year 2016. Hence the ability of the company to endure the various business cycles is yet to be demonstrated. Also, the company operates in a highly competitive and fragmented industry, characterized by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company. However, this can be partially offset by the extensive experience of the promoters in the aforementioned business line.

Liquidity Position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.03Cr (Prov.) in FY2020 as against maturing debt obligation of Rs.0.30Cr (Prov.) during the same period. The cash accrual of the company is estimated to remain around Rs.0.90crore to Rs.1.20crore during FY2021-2023 against repayment obligation of Rs.0.30Cr during the same period. The company's working capital operation is intensive in nature marked by gross current asset (GCA) days of 137 days (Prov.) for FY2020. The average bank limit utilization stood at 71.23 percent for the last six months ended September, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.11 Cr as on March 31, 2020 as against Rs.0.16Cr as on March 31, 2019. The current ratio has increased to 2.17 times (Prov.) as on March 31, 2020 as against 1.83 times as on March 31, 2019. Acuite believes that the liquidity of the company to remain adequate over the medium term on account of adequate net cash accruals to its debt repayments over the medium term.

Rating Sensitivities

- Any deterioration in the working capital cycle and liquidity profile of the company
- Significant improvement in the operating performance of the company

Outlook: Stable

Acuite believes that GAIPPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management in the aforementioned industry. The outlook may be revised to 'Positive', if the company demonstrates higher than expected growth in its revenue and profitability from the current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative', if the company faces any stretch in the working capital management or decline in the profitability leading to deterioration in the financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	27.53	29.17
PAT	Rs. Cr.	0.06	(0.90)
PAT Margin	(%)	0.24	(3.09)
Total Debt/Tangible Net Worth	Times	4.46	(11.76)
PBDIT/Interest	Times	3.37	0.41

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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. Cr.)	Ratings/Outlook
04-Jun-2019	Proposed Cash Credit	Long Term	3.00	ACUITE B/Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B/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	4.50 (Enhanced from Rs.3.00Cr)	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Term loans	November 10, 2018	10.35%	March 10, 2024	1.50	ACUITE B+/Stable (Assigned)

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