

Press Release

Gloria Alluminium India Private Limited

February 28, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	6.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.6.00 crore bank facilities of Gloria Alluminium India Private Limited (GAIPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account improvement in the company's operational performance in FY2022 (Till December 2021) in the current year FY2022 despite a subdued performance in FY2021. This recovery has been on the back of normalizing of operating environment post easing of COVID 19 restrictions and addition to its installed capacity. The rating also factors in the experience of the promoters. However, it is constrained by elongation in working capital cycle and below average financial risk profile. GAIPL's ability to improve its scale of operations while maintaining its profitability will remain a key rating sensitivity.

About the Company

Gloria Aluminum India Private Limited (GAIPL) incorporated in the year 2016 is engaged in the manufacturing of Aluminum extrusions. The company is promoted by the Agarwal family led by Mr. R. M. Agarwal and Mr. P. M. Agarwal. The manufacturing unit of GAIPL is located in Pune, Maharashtra. The manufacturing process for aluminum extrusions involves the heating and molding of aluminum scraps and Ingots as per the requirements of the client.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

GAIPL was established in the year 2016 and 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 GAIPL to establish a healthy relationship with its customers and suppliers. Acuité believes that GAIPL will continue to benefit from its experienced management.

Improving operating performance despite slowdown in FY2021 on account of COVID 19

GAIPL is generating a declining revenue on a year on year basis in the last three years. It generated revenues of Rs.20.14 crore for FY2021 as against Rs.27.53 crore in FY2020 and Rs.29.17 crore in FY2019. Since the company caters to its various domestic industrial clients such as solar, electric components, furniture, auto ancillaries etc. along with the various local residential & commercial real estate developers towards supplying of the required customised aluminium extrusions, the business operations were highly impacted during the first quarter of FY2021 because of nationwide lockdown announced due to Covid-19 pandemic and therefore the company has achieved lower sales in FY2021 as compared to its previous years. The operating margin of the company therefore got deteriorated and stood at just 0.17 percent in FY2021 as against 4.64 percent in FY2020. Further, the company achieved net loss of Rs.1.22 crore in FY2021 as against its net profit of Rs.0.05 crore in FY2020.

However, for the current year FY2022 as on December 2021, there has been an improvement in GAIPL's operational performance since the company received huge demand of its products from its various industrial and real estate clients, post the lockdown restrictions were lifted and therefore in order to meet the rising demand, the company further decided to increase its installed capacity from 2100 MT to 3600 MT per annum with an increase in the overall capacity utilisation from 73.81 percent to 90.00 percent which indeed helped them to boost its sales and improve the overall financial performance. As on December 2021, the company has achieved sales of Rs.39.99 crore with an operating margin of 8.28 percent and PAT margin of 6.18 percent. Going forward, the company plans to increase its installed capacity more and also increase its customer base as well by targeting various industrial and real estate clients outside Maharashtra in order to maintain the trend of improving and strengthening its financial performance thereafter.

Acuité expects GAIPL's ability to improve its scale of operations while maintaining profitability will remain a key rating sensitivity factor.

Weaknesses

Below Average financial risk profile

GAIPL's financial risk profile is below average marked by low net worth of Rs.1.10 crore as on 31 March, 2021 as against Rs.2.33 crore as on 31 March, 2020. The gearing (debt-equity) stood high at 9.85 times as on 31 March, 2021 as against 4.49 times as on 31 March, 2020. The total debt of Rs.10.88 crore as on 31 March, 2021 consists of long term bank borrowings of Rs.1.28 crore, unsecured loans from promoters of Rs.6.51 crore and short term working capital limit of Rs.3.09 crore. The interest coverage ratio stood lower at 0.08 times for FY2021 as against 2.93 times for FY2020. The DSCR stood lower at 0.16 times for FY2021 as compared to 2.88 times for FY2020. The Net Cash Accruals to Total debt stood at (0.04) times for FY2021 and 0.08 times as on FY2020. The Total outside liabilities to Tangible net worth stood high at 13.90 times for FY2021 as against 5.58 times in FY2020.

Acuite expects GAIPL's financial risk profile to improve in the near to medium term because of its improving operating performance visible in the current year FY2022 as on December 2021 and expected to maintain the trend further.

Working capital intensive nature of operations

The company's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 227 days for FY2021 as against 141 days for FY2020. This is primarily on account of high inventory days which stood at 125 days in FY2021 as against 64 days in FY2020. High inventory days is majorly on account of increase in the company's unutilised available raw materials, work in progress (WIP), finished goods and goods in transit which got affected

during the first quarter of FY2021 due to restriction in movements of goods within the state because of the nationwide lockdown announced by the government in April 2020 due to Covid-19 pandemic. Because of this there has been an impact in the company's debtors and creditors cycle as well which got stretched. The debtors stood at 95 days in FY2021 as against 73 days in FY2020 whereas the creditors stood high at 94 days in FY2021 as against 36 days in FY2020.

Acuité believes GAIPL's ability to restrict any further elongation in the working capital cycle will remain key monitorable and will lead to negative bias towards the rating.

Limited track record of operation

GAIPL commenced its business operations in the year 2016 and also the company operates in a highly competitive and fragmented industry, characterized by a large number of players. 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.

Rating Sensitivities

- Ability to maintain scale of operations and maintaining profitability
- Any further elongation in working capital cycle

Material covenants

None

Liquidity Position - Stretched

GAIPL has stretched liquidity position marked by negative cash accruals and elongated working capital cycle. The company generated negative cash accruals crore during FY2019 to FY2021 however they have no repayment obligation during the same period. Going forward the net cash cash accruals are expected to be positive in the range of Rs.2.55 crore – Rs.4.80 crore for period FY2022 - FY2024 against no repayment obligation for the same period. The company's operations are highly working capital intensive marked by gross current asset (GCA) days of 227 days for FY2021 due to its high inventory days. This makes the company dependent on bank borrowing for working capital requirement. Average bank limit utilization for 6 months' period ended December 2021 stood at 78.87 percent. Current ratio stands at 1.65 times as on 31 March 2021. The company has maintained cash & bank balance of Rs.0.03 crore in FY2021.

Acuité believes that the liquidity of the GAIPL is likely to improve over the medium term on account of generating healthy cash accruals against no debt obligations.

Outlook: Stable

Acuité believes that GAIPL will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to negative in case of lower than improvement in scale of operations or any elongation in working capital cycle leading to moderation in liquidity profile.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	20.14	27.53
PAT	Rs. Cr.	(1.22)	0.05
PAT Margin	(%)	(6.07)	0.18
Total Debt/Tangible Net Worth	Times	9.85	4.49
PBDIT/Interest	Times	0.08	2.93

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

Not Applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Dec 2020	Term Loan	Long Term	1.50	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Small Industries Development Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.02	ACUITE B+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.98	ACUITE B+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Nilesh Soni Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité