



Press Release
Gloria Alluminium India Private Limited
May 26, 2023
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	-	-

Rating Rationale

Acuite 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 (GA IPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of GA IPL takes into account improvement in the company's operating performance in FY2022 and its experienced management. The rating is however constrained by the company's below average financial risk profile, moderately working capital-intensive and presence in a highly competitive and fragmented industry. Going forward, ability of the company to maintain its scale of operations and profitability margins while improving its financial risk profile and to improve and maintain an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

GA IPL incorporated in the year 2016, is engaged in the manufacturing of aluminium extrusions. The manufacturing process for aluminium extrusions involves the heating and moulding of aluminium scraps and ingots as per the requirements of the client. The manufacturing unit of the company is located in Pune, Maharashtra.

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 is promoted by 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 engaged in the manufacturing of automotive components for commercial vehicles, passenger cars and farm equipment aggregates. The promoters are being supported by its team of experienced professionals in managing day to day operations of GA IPL. The extensive experience of the promoters has helped GA IPL to establish a healthy relationship with its customers and suppliers.

Acuite believes that GA IPL will continue to benefit from its experienced management.

Improved operating performance

GAIPL reported an increase in its revenue of Rs.55 Cr in FY2022 as against Rs.20 Cr in FY2021

and has achieved this primarily on account of improved demand post the pandemic phase towards supplying of the various customised aluminium extrusions across industries such as solar, electric components, furniture, auto ancillaries, infrastructural construction, real estate amongst others. The quantity sold as well as increase in the prices have significantly contributed towards the improved sales of the company during the year. Apart from this, the present installed capacity of the company to produce the required aluminium extrusions has increased over the last three years. It has increased to 3000 MT in FY2023 as against 2750 MT in FY2022 and 2100 MT in FY2021 with utilisation also being improved to 84 percent in FY2023 as against 79 percent in FY2022 and 74 percent in FY2021.

The operating margin and net profit margin of the company stood improved at 5.56 percent and 3.31 percent in FY2022 as against 0.20 percent and (6.09) percent in FY2021 on account of overall improvement in the company's scale of operations.

For the current year FY2023 (Estimate), GAIPL has however achieved marginal growth in its revenue of Rs.58 Cr on account of decrease in the prices despite of maintaining the trend of selling the higher quantity of products. Despite of marginal growth in sales, the operating margin of the company stood improved at 6.52 percent in FY2023 (Estimate), however the net profit margin of the company got deteriorated further at 2.83 percent in FY2023 (Estimate) primarily on account of high interest cost led by increase in the overall debt profile during the year.

Acuité believes that the ability of GAIPL to maintain its scale of operations and profitability margins will remain a key rating sensitivity factor.

Weaknesses

Below average financial risk profile

Financial risk profile of GAIPL is below average marked by low net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood improved albeit remained lower at Rs.3 Cr as on 31 March, 2022 as against Rs.1 Cr as on 31 March, 2021. The gearing (debt-equity) stood improved albeit remained high at 4.17 times as on 31 March, 2022 as against 9.85 times as on 31 March, 2021. The high gearing is due to an increase in the overall debt availed by the company from the bank in the form of GECL loan and CC limit in order to meet the working capital requirements. Apart from this, the company has availed new term loan in FY2023 and are further expecting to avail additional term loan in FY2024 towards purchasing of new machineries in order to increase the overall production activities considering the stable order flow from the customers. The gearing is therefore expected to remain moderate over the medium term. The total debt of Rs.12 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.2 Cr, short term bank borrowings of Rs.4.50 Cr and unsecured loans from directors of Rs.5.50 Cr.

The interest coverage ratio and DSCR stood improved at 5.57 times and 2.98 times for FY2022 as against 0.09 times and 0.12 times for FY2021. The Net Cash Accruals to Total debt stood improved at 0.21 times for FY2022 as against (0.04) times for FY2021. The Total outside liabilities to Tangible stood improved albeit remained high at 5.88 times for FY2022 as against 13.90 times for FY2021. The Debt-EBITDA ratio stood improved albeit remained high at 3.98 times for FY2022 as against 260.44 times for FY2021.

Acuité believes that ability of GAIPL to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Moderately working capital intensive operations

The working capital operations of GAIPL are moderately intensive marked by its Gross Current Assets (GCA) of 112 days for FY2022 which stood improved as against 226 days for FY2021. This is due to inventory and receivables cycle of the company which though remains elongated, however recorded an improvement in FY2022 of 50 days and 62 days as against 125 days and 95 days in FY2021. Further, the creditors cycle of the company also stood improved at 33 days in FY2022 as against 93 days in FY2021. The average bank limit utilization for 6 months' period

ended March 2023 stood at ~50 percent.

Acuité believes that the ability of GA IPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Highly competitive and fragmented nature of industry

GA IPL commenced its business operations in the year 2016 and 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 while improving profitability margins
- Ability to improve financial risk profile
- Ability to improve and maintain an efficient working capital cycle

Material covenants

None

Liquidity position - Adequate

GA IPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.1 Cr to Rs.2.50 Cr during FY2020 to FY2022 against its low repayment obligation in the range of Rs.0.20 Cr to Rs.0.30 Cr during the same period. Going forward the NCA are expected in the range of Rs.2 Cr to Rs.3 Cr for period FY2023-FY2025 against its low repayment obligation in the range of Rs.0.30 Cr to Rs.1 Cr during the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 112 days for FY2022. The average bank limit utilization for 6 months' period ended March 2022 stood at ~50 percent. Current ratio stands at 1.69 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.0.17 Cr in FY2022.

Acuité believes that liquidity of GA IPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that GA IPL will maintain 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability 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 expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.92	20.09
PAT	Rs. Cr.	1.82	(1.22)
PAT Margin	(%)	3.31	(6.09)
Total Debt/Tangible Net Worth	Times	4.17	9.85
PBDIT/Interest	Times	5.57	0.09

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

Crisil vide its press release dated 24.05.2022, had rated the company to CRISIL B+/Stable ; Issuer Not Cooperating.

ICRA vide its press release dated 15.02.2023, had rated the company to ICRA BBB-/Stable/A3; Issuer Not Cooperating.

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

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
28 Feb 2022	Term Loan	Long Term	0.98	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.02	ACUITE B+ Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Small Industries Development Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.40	ACUITE B+ Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.60	ACUITE B+ Stable Reaffirmed

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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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