

Press Release

Shree Balaji Alumnicast Private Limited

January 24, 2022

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings | 83.00 | ACUITE BBB- Stable Assigned | - |
| Bank Loan Ratings | 52.00 | - | ACUITE A3 Assigned |
| Total Outstanding Quantum (Rs. Cr) | 135.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.135.00 crore bank facilities of Shree Balaji Alumnicast Private Limited (SBAPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects sustained operations and profitability for FY2021, moderate financial risk profile, extensive experience of promoters and reputed clientele. Also the rating factors in comfort derived by order book position of Rs. 120.00 Cr as on November 2021. Moreover, the firm has booked revenue of Rs. 410.00 Cr as on November 2021. On the contrary, the firm operates in working capital intensive industry.

About the Company

Shree Balaji Alumnicast Private Limited (SBA) was incorporated in 1995 by Mr. Sunil Aggarwal. The Company started trading business of Aluminum scrap and then as a backward integration it got engaged into manufacturing business by setting up unit at Dharuhera, Haryana. Since 2008 company is engaged in production of aluminum alloy (liquid as well in solid form) for original equipment manufacturer and automobiles players. SBA has 7 manufacturing units; four in Haryana (located at Dharuhera, Gurgaon, Binola and Mewat) and one each at Ludhiana (Punjab), Hosur (Tamil Nadu) and Bangalore (Karnataka). Combine aluminium alloy production capacity is 71,200 MT per annum. Company has signed MOU with various well established vendors (viz Rockman, Ricco Auto, Alicon Cast Alloys & Kiran Udyog) of Maruti, Hero Motocorp and Honda etc for supplying of raw material in liquid/molten alloys.

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of Shree Balaji Alumnicast Private Limited (SBAPL) for arriving at this rating.

Key Rating Drivers

Strengths

>Experience Management and established market positions

SBAPL is promoted and managed by Mr. Sunil Aggarwal, who has around two decades of

experience in the aluminium industry and has been associated with the company since its inception. This has helped the company to establish a strong market position and maintain long-standing relations with its customers. Acuité believes that the company will continue to derive benefit from its experienced management and established market position over the medium term.

> Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth and coverage metrics. The net worth of the company stood at Rs. 59.90 crore as on 31 March 2021 as against Rs. 58.60 crore as on 31 March 2020. The gearing (debt-equity) of the company stood at 2.02 times as on 31 March 2021 as against 1.94 times as on 31 March 2020. Further, the promoters have supported the business and infused total of Rs. 26.87 Cr of Unsecured loans. Total debt of the company stood at Rs. 120.98 crore as on 31 March, 2021 which comprises of short term debt of Rs. 112.86 Cr, long term debt of Rs. 2.57 Cr, CPLTD of Rs. 5.55 Cr. Interest coverage ratio stood moderate at 1.20 times for FY2021 as against 1.28 times for FY2020. Further, debt service coverage ratio stood at 1.08 times in FY2021 as against 1.15 times in FY2020. Debt-EBITDA stood high at 5.27 times for FY2021 as against 5.03 times for FY2020. Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

> Locational Advantage: Integrated Manufacturing Unit with Reputed Customers:

For a supplier of metal in liquid form, proximity to the customers manufacturing unit is one of the key to success. Cost reduction is one of the major focus areas for any type of organization. Therefore, Automobile component manufacturer prefers to buy metal in liquid form rather in solid form to save cost on re-melting, burning loss and inventory carrying cost. Proximity to customer and approval from big automobile players provide shield to SBA while ensuring future business and also pose as entry barrier for new entrant as customer availed cost benefits due to SBA strategically located plant.

Weaknesses

> Deteriorated Working capital operations

Deteriorated working capital requirements as evident from gross current assets (GCA) of 134 days for FY2021 as against 82 days for FY2020. Deteriorated GCA days are mainly due to increase in debtor days from 35days in FY2020 to 65 days in FY2021, the increase in debtor days is mainly due to the disruption caused by Covid-19 pandemic. Further, inventory days stood at 57 days as on 31 March 2021 as against 34 days in previous year. Also, the receivables and inventory levels are high as on 31 st March 2021 because of higher operational activities in last quarter of FY21 as compared to "on an average" basis. Current Ratio stood at 1.34 times as on 31 March 2021 as against 1.38 in the previous year.

Rating Sensitivities

- > Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile
- > Slowdown in industry leading to inventory pile up

Material covenants

None

Liquidity Position: Adequate

The company has adequate long-term liquidity marked by modest net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 3.43 crore for FY2021 as against Rs. 1.86 Cr of repayment obligations for the same period. Also, the company has unencumbered cash and bank balances of Rs. 1.94 crore as on 31st March 2021(Prov.). The company's operations are working capital intensive as marked by gross current asset (GCA) days of 134 in FY2021. Hence, the reliance on working capital borrowings were high as the average utilization for fund based facility stood high at 90.72 per cent in the last eight months ending November 2021. Further, the current ratio stood at 1.34 times as on 31 st March 2021.

Outlook: Stable

Acuité believes that SBAPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while improving the working capital cycle and its capital structure. The outlook may be revised to 'Negative' in case of further decline in profitability or further stretch in working capital requirements deteriorating financial risk profile and liquidity position.

Key Financials

| Particulars | Unit | FY 21 (Provisional) | FY 20 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 441.93 | 683.08 |
| PAT | Rs. Cr. | 1.31 | 1.57 |
| PAT Margin | (%) | 0.30 | 0.23 |
| Total Debt/Tangible Net Worth | Times | 2.02 | 1.94 |
| PBDIT/Interest | Times | 1.20 | 1.28 |

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

Brickwork, vide its press release dated May 21, 2021 had denoted the rating of Shree Balaji Alumnicast Private Limited as 'Brickwork BB+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

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>
- 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

Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|----------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| Union Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 7.50 | ACUITE BBB- Stable Assigned |
| Bank of Maharashtra | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 53.00 | ACUITE BBB- Stable Assigned |
| Union Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 11.50 | ACUITE A3 Assigned |
| Union Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 13.50 | ACUITE A3 Assigned |
| Bank of Maharashtra | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 17.00 | ACUITE A3 Assigned |
| HDFC Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A3 Assigned |
| Not Applicable | Not Applicable | Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 22.50 | ACUITE BBB- Stable Assigned |

Contacts

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About Acuité Ratings & Research

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