

Press Release

Shree Balaji Alumnicast Private Limited

November 25, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	52.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	62.00	-	ACUITE A3 Assigned
Bank Loan Ratings	83.00	ACUITE BBB- Positive Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	197.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and 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).

Further Acuite has assigned the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 62.00 crore bank facilities of the same . The outlook is '**Positive**'.

Rationale for Rating

The rating action considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. Rating is further supported by the improvement in financial risk profile and expected growth in near medium term.

About the Company

Shree Balaji Alumnicast Private Limited (SBAPL) 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 (molten as well as in solid form) for original equipment manufacturer and automobiles players. SBAPL 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). The total production capacity of the company stood at 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 supply of 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

Experienced Management

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.

Revenue and profitability

SBAPL reported operating income of Rs. 625.54 Cr in FY2022 as against Rs. 442.29 Cr in FY2021 on the back of recovery in demand post Covid interruptions. EBITDA Margin stood at 4.07 % in FY22 in comparison to 5.17% in FY21. Further, Net Profit margin improved and stood at 0.78% in FY2022 as against 0.25% in FY 2021. SBAPL has achieved Operating income of Rs. ~ 457 Cr. during first Seven months of FY 23 and company is expecting total operating income of Rs~750 crore in FY 23. Company has order in hand of Rs~ 209 Crores as on date for next 3 Months.

Financial Risk Profile

SBAPL has Moderate financial risk profile marked by Moderate net worth and good debt protection metrics. SBAPL's net worth stood at Rs. 64.77 Cr as on 31st March 2022 as against Rs. 59.42 Cr as on 31st March 2021 (Audited). Company has moderate financial position, Gearing levels (debt-to-equity) improved and stood at 1.75 times as on March 31, 2022 as against 2.03 in FY 2021. Improvement in Gearing Ratio in FY 22 is on account of profit accretions and early repayment of long term debt.

Further, the interest coverage ratio stood strong at 1.49 times for FY2022 as against 1.22 times in FY2021. Debt Service coverage ratio stood strong at 1.27 times for FY2022 as against 1.08 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 1.95 times as on FY2022 vis-à-vis 2.16 times as on FY2021. However, Debt-EBITA stood at 4.31 times as on 31st March 2022 as against 5.10 times as on 31st March 2021.

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. 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. Therefore, these manufacturer gives first preference to aluminium alloy manufacturer having manufacturing facility nearest to their production plant. SBAPL has started manufacturing with its Dharuhera (Haryana) plant which was built for producing aluminium alloy in molten form. Thereafter SBAPL set up other plants to remain first choice of the customer. Rockman Industries Limited, Rico Auto Industries Limited Maruti Udyog Limited, and Minda Industries Ltd, Sundaram-Clayton Limited, Aicon Castalloys Limited, are the major customers getting supplies from SBAPL. Proximity to customer and approval from big automobile players provide shield to SBAPL while ensuring future business and also pose as entry barrier for new entrant as customer availed cost benefits due to SBAPL strategically located plant.

Weaknesses

Working capital operations

Company has improved yet Intensive working capital requirements as evident from gross current assets (GCA) of 92 days in FY2022 as compared to 132 days in FY2021. Debtor days improved to 41 days in FY2022 as against 61 days in FY2021. Inventory days Improved to 45 days in FY2022 as against 55 days in FY2021.

Rating Sensitivities

Sustained growth in operating performance with improvement in profitability
Slowdown in industry leading to inventory pile up

Material covenants

None

Liquidity Position

Strong

SBAPL has Strong liquidity marked by adequate net cash accruals to its maturing debt obligations. Company generated cash accruals of Rs. 6.98 crore for FY2022 as against obligations of Rs. 1.72 crores for the same period. Current Ratio stood at 1.37 times as on 31 March 2022 as against 1.38 times in the previous year. Bank Limit utilization in last six months was ~85% . Further company has Fixed Deposits of Rs. 13.65 crores out of margin requirement for NFB Facilities are Rs 6.70 Crores leaving Rs 6.95 as unencumbered Fixed Deposits. Therefore, company has Strong liquidity to meets its requirements

Outlook: Positive

Acuité believes that SBAPL will benefit from its established relationship with its customers and suppliers coupled with sustained scale of operations, profitability and debt protection metrics over the medium term. The outlook may be revised to 'Stable' in case of significant deterioration in operating income, thereby weakening profitability and further stretch in the working capital cycle. The rating will be upgraded in case of sustenance improvement in scale of operations along with improvement in working capital operations.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	625.54	442.29
PAT	Rs. Cr.	4.90	1.09
PAT Margin	(%)	0.78	0.25
Total Debt/Tangible Net Worth	Times	1.75	2.03
PBDIT/Interest	Times	1.49	1.22

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>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuité 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
07 Oct 2022	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	73.00	ACUITE BBB- Positive (Reaffirmed)
	Letter of Credit	Short Term	42.00	ACUITE A3 (Reaffirmed)
24 Jan 2022	Letter of Credit	Short Term	11.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	13.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	53.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	22.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	73.00	ACUITE BBB- Positive Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Positive 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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