



Press Release
SHREE BALAJI ALUMNICAST PRIVATE LIMITED
June 08, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	83.00	ACUITE BBB- Positive Reaffirmed	-
Bank Loan Ratings	114.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	197.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating **Acuite BBB- (read as Acuite triple B minus)** and the short-term rating **Acuite A3' (read as Acuite A three)** on the Rs. 197.00 crore bank facilities of Shree Balaji Alumnicast Private Limited (SBAPL). The outlook is '**positive**'.

Rationale for Rating Action

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

About the Company

Shree Balaji Alumnicast Private Limited (SBAPL) was incorporated in 1995 by Mr. Sunil Aggarwal. The company started trading aluminium scrap, and then, as a backward integration, it got engaged in the manufacturing business by setting up a unit at Dharuhera, Haryana. Since 2008, the company has been engaged in the production of aluminium alloy (molten as well as in solid form) for original equipment manufacturers and automobile players. SBAPL has seven 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 year. The company has signed MOUs with various well-established vendors (viz., Rockman, Ricco Auto, Alicon Cast Alloys, Kiran Udyog) of Maruti, Hero Motocorp, Honda, etc. for the supply of liquid or 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 establish a strong market position and maintain long-

standing relationships 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.

Augmentation in the business risk profile

SBAPL's operations improved, which is apparent from the growth in revenue from operations by 19% in FY2023 (prov.) to 741.43 crore as against Rs. 625.53 crore for FY2022. (improved by 67 percent over the last three years, from FY 21 to FY 23). Revenue increased due to the quantity sold, which is evident from the table given below. The operating profit margin of the company remains stable (minuscule moderation of 4 bps in FY 23). The operating profit margin of the company stood at 4.03% in FY2023 (prov.) as against 4.07% in FY2022. Furthermore, the net profit margin of the company improved by 33 bps and stood at 1.11 percent in FY2023 (prov.) as against 0.78 percent in FY2022. The ROCE of the group stood at 14.53 times in FY2023 (Prov.).

Financial Risk Profile: Moderate

SBAPL has a moderate financial risk profile, marked by moderate net worth and moderate debt protection metrics. SBAPL's net worth stood at Rs. 73.16 Cr (Prov.) as on 31st March 2023 as against Rs. 64.77 Cr as on 31st March 2022. The company follows a moderate leverage policy. Gearing levels (debt-to-equity) moderated by 13 bps and stood at 1.88 times as of March 31, 2023 (prov.) as against 1.75 times in FY 2022. The moderation in the gearing ratio in FY 23 is on account of additional GECL loans taken during FY 23 despite profit accretions and repayment of debt. The total debt outstanding of the company is Rs. 137.61 crore as of March 31, 2023 (prov.), which consists of long-term bank borrowings of Rs. 35.88 crore, a short-term working capital limit of Rs. 99.66 crore, and current maturities of long-term debt of Rs. 2.08 crore.

Further, the interest coverage ratio stood at 1.74 times for FY2023 (prov.) as against 1.49 times in FY2022. The debt service coverage ratio improved by 25 basis points and stood moderately at 1.52 times for FY2023 (prov.) as against 1.27 times in FY2022. Improvement in gearing due to an increase in profits. Total outside liabilities to total net worth (TOL/TNW) stood at 2.04 times as of FY2023 (prov.) compared to 1.95 times as of FY2022. However, debt-EBITA stood at 4.49 times as of March 31st, 2023 (prov.) as against 4.31 times as of March 31st, 2022. The net cash accruals to total debt stood at 0.08 times as of FY2023 (prov.) and 0.06 times for FY2022. The financial risk profile of the company is expected to remain comfortable in the near term as the company does not have any new capex plans in the short term.

Locational Advantage: Integrated Manufacturing Unit with Reputable Customers

For a supplier of metal in liquid form, proximity to the customer's manufacturing unit is one of the keys to success. Cost reduction is one of the major focus areas for any type of organisation. Automobile component manufacturers prefer to buy metal in liquid form rather than solid form to save on re-melting, burning losses, and inventory carrying costs. Therefore, these manufacturers give first preference to aluminium alloy manufacturers with manufacturing facilities nearest to their production plants. SBAPL has started manufacturing at its Dharuhera (Haryana) plant, which was built for producing aluminium alloy in molten form. Thereafter, SBAPL set up other plants to remain the first choice of the customer. Rockman Industries Limited, Rico Auto Industries Limited, Maruti Udyog Limited, Minda Industries Ltd., Sundaram-Clayton Limited, and Alicon Castalloys Limited are the major customers getting supplies from SBAPL. Proximity to customers and approval from big automobile players provide a shield to SBAPL while ensuring future business and also pose an entry barrier for new entrants as customers avail cost benefits due to SBAPL's strategically located plant.

Weaknesses

Working capital operations

The group has moderate working capital requirements, as evident from gross current assets (GCA) of 91 days in FY2023 (prov.) as compared to 92 days in FY2021. Debtor days improved by 5 days and stood at 36 days in FY2023 (41 days in FY2022). Inventory days stood at 50 days

in FY2023 (prov.) as against 45 days in FY2022. The working capital limits were utilised at 85 percent during the last twelve months ended March 23. The current ratio of the group stood at 1.79 times as of March 31, 2023 (prov.).

Rating Sensitivities

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

Material covenants

None

Liquidity Position Adequate

The company has adequate liquidity, marked by net cash accruals to its maturing debt obligations, its current ratio, and the additional cushion available in working capital limits. The company generated cash accruals of Rs. 10.66 crore for FY2023 (Prov.) as against obligations of Rs. 0.98 crore for the same period. The current ratio stood at 1.79 times as of March 31, 2023 (prov.) as against 1.37 times in the previous year. Bank limit utilisation in the last twelve months ended March 23 was 85%, leaving an additional cushion for the company to meet contingencies. The cash and bank balances of the group stood at Rs 0.30 crore. The liquidity of the company is further supported by unencumbered fixed deposits of Rs 4.60 crore (total fixed deposits of Rs 17.90 crore). The liquidity of the group is expected to improve, with the company expected to generate cash accruals in the range of Rs. 15 to 20 crore against a repayment of Rs. 7 to 8 crore, and the unencumbered cash, bank position, and FD will also support the liquidity of the company.

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 the event of a significant deterioration in operating income, thereby weakening profitability and further stretching the working capital cycle. The rating will be upgraded in the event of a sustained improvement in the scale of operations along with an improvement in working capital operations.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	741.44	625.54
PAT	Rs. Cr.	8.24	4.90
PAT Margin	(%)	1.11	0.78
Total Debt/Tangible Net Worth	Times	1.88	1.75
PBDIT/Interest	Times	1.74	1.49

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

Brickworks vide its press release dated 23.06.2022 had downgraded the company to BWR BB/Stable/A4; Issuer Not Cooperating.

India Ratings also denoted the company to BB+/A4+ ; Issuer Not Cooperating in its press release on 28. 07.2022.

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, 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
25 Nov 2022	Bills Discounting	Short Term	22.00	ACUITE A3 (Assigned)
	Bills Discounting	Short Term	40.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	42.00	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	10.00	ACUITE A3 (Reaffirmed)
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)
	Proposed Cash Credit	Long Term	22.50	ACUITE BBB- Stable (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)

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 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3 Reaffirmed
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
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.87	ACUITE BBB- Positive Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.13	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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