



**Press Release**  
**Sumridhi Aluminium Private Limited**  
**June 21, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.70.00 Crore bank facilities of Sumridhi Aluminium Private Limited(SAPL). The outlook is '**Stable**'.

**Rationale for reaffirmation**

The rating takes into account the established track record of operations of more than 15 years along with experienced management which is also reflected from its growing revenue trend driven by high metal prices and fluctuation in operating margin. Further, the rating factors in the moderate financial risk profile and adequate liquidity. The ratings is also constrained by high working capital requirement due to large inventory level. Further, any slowdown in developed markets would remain a rating sensitivity factor as company generates sizeable portion of revenue from the USA and European markets.

**About the Company**

Sumridhi Aluminium Private Limited, incorporated in 2006. The company is engaged in the manufacturing of Aluminium Ingots & Billets. The Present Directors of the company are Mr. Anil Kanodia, Ms. Rekha Kanodia and Mr. Abhimanyu Kanodia. The registered office of the company is in Delhi. The Manufacturing unit of the company is in Palwal & Bawal.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Sumridhi Aluminium Private Limited to arrive at this rating.

**Key Rating Drivers**

**Strengths**

**Experienced Management and established track record of operations**

SAPL has been engaged in manufacturing of aluminium ingots from 2006. Currently the company is managed by Mr. Anil Kanodia, Ms. Rekha Kanodia and Mr. Abhimanyu Kanodia who has an experience of about more than a decade in manufacturing in same field of business. The company caters to strong customer base in various end-user industries which includes OEM's in auto and auto-ancillary companies. The established track record has helped the company to maintain a longstanding relationship with reputed clientele like Maruti Suzuki India Ltd, Sunbeam Lightweighting Solutions Pvt Ltd, Craftsman Automation Ltd who contributes more than 55% in SAPL's total revenue. Acuite believes that SAPL will

continue to derive benefit from its established track record and longstanding relationship with reputed clientele.

**Improvement in the scale of operations**

The company has achieved the revenue of Rs.429.74 Crore in FY23 against Rs.370.88 Crore in FY22. The growth is driven by increase in revenue on account of improvement in sales realisation. Further, the EBITDA Margins of the company stood at 6.89 percent in FY23 against 6.45 percent in FY22. The PAT Margin of the company stood at 3.40 percent in FY23 against 3.33 percent in FY22. Acuite believes the scale of operation may remain at similar level over the medium term because of moderation in aluminium prices and current slowdown in certain markets such as USA, UK among others.

### **Moderate Financial risk profile**

The financial risk profile of the company is moderate marked by moderate net-worth, moderate gearing and debt protection metrics. The net worth of the company stood moderate at Rs.71.93 Crore in FY23 against Rs.43.67 Crore in FY22, increase in networth is majorly due to accretion of profits to the reserves and unsecured loans infused into the business are subordinated to bank borrowings. The total debt of the company stood at Rs.128.40 Crore in FY23 against Rs.86.60 Crore in FY22. Further, the Debt-equity ratio of the company stood moderate at 1.79 times in FY23 against 1.98 times in FY22. The TOL/TNW ratio stood at 2.10 times in FY23 against 2.38 times in FY22. Further, the interest coverage ratio and Debt Service coverage ratio stood at 3.29 times and 2.37 times in FY23 respectively against 3.73 times and 2.67 times in FY22. Further, the company is having no capex plan in near future. Acuite believes that improvement in the financial risk profile over a medium term will remain a key rating sensitivity.

### **Weaknesses**

#### **Working capital intensive operations**

The working capital operation of the company are intensive marked by GCA days of 137 days in FY23 against 114 days in FY22. The GCA days are majorly constituted by increase in inventory and receivable days. The inventory days of the company stood at 44 days in FY 2023 as against 33 days in FY2022. Further, debtor days stood at 73 days in FY 2023 as against 52 days in FY 2022. On the other hand, creditor days of the company stood at 16 days in FY23 against 09 days in FY22. Acuite believes that working capital operations of SAPL may continue to remain intensive considering the nature of business and requirement to maintain an inventory at certain levels.

#### **Fragmented industry characterized by intense competition and vulnerability to changes in commodity prices**

The company works in a highly competitive and fragmented segment of the Indian aluminium market, which is characterised by the existence of numerous small, unorganised players. As a result, the industry's players have little pricing power and are subject to pressure from the competition to increase their profitability. Aside from this, its products, which are mostly used by intermediaries, are exposed to the risks linked to industry cyclicality and pricing volatility. The susceptibility of the margins to changes in the raw materials price is inherent in this industry.

### **Rating Sensitivities**

- Maintaining moderate financial risk profile
- Sustained revenue growth with sustained profitability margin
- Elongation in working capital cycle leading to stretch in liquidity

### **Liquidity Position**

#### **Adequate**

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.15.75 Crore in FY23 against debt repayment obligation of Rs.1.40 Crore in the same period. Further the current ratio of the company stood at 1.43 times in FY23 against 1.70 times in FY22. The bank limit of the company has been ~72 percent utilized during the last eight months ended in March 2024. Acuite believes that liquidity position of SAPL may

continue to remain adequate over medium term with sufficient cash accruals to cover its obligations along with moderate reliance on bank borrowings.

**Outlook: Stable**

Acuité believes that SAPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, established track record and longstanding relationship with reputed clientele. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its margins and is able to improve working capital operations. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, most likely due to significant debt funded capex or impact on profitability margins, thereby impacting its financial risk profile, particularly its liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	429.74	370.88
PAT	Rs. Cr.	14.63	12.37
PAT Margin	(%)	3.40	3.33
Total Debt/Tangible Net Worth	Times	1.79	1.98
PBDIT/Interest	Times	3.29	3.73

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

Not Applicable

### 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

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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Apr 2023	Cash Credit	Long Term	35.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	5.00	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
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Manish Bankoti Associate Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:manish.bankoti@acuite.in">manish.bankoti@acuite.in</a>	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.