



Press Release
AXAYYA ALLOYS PRIVATE LIMITED
August 20, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.40	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	8.10	Not Applicable Withdrawn	-
Bank Loan Ratings	10.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	8.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	57.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 31.40 crore bank facilities of Axayya Alloys Private Limited (AAPL). Acuite has reaffirmed and withdrawn its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of Axayya Alloys Private Limited (AAPL). Acuite has withdrawn the proposed long-term rating on the Rs. 8.10 crore bank facilities of Axayya Alloys Private Limited (AAPL) without assigning any rating as it is a proposed facility. Acuite has withdrawn the proposed short-term rating on the Rs. 8.00 crore bank facilities of Axayya Alloys Private Limited (AAPL) without assigning any rating as it is a proposed facility.

The withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and No Objection Certificate received from the lender.

Rationale for rating

The rating factors the stagnant business and financial risk profile of the company marked by slightly declining trend in operating income and operating margin for the past 2 years ended on March 2024. Furthermore, the liquidity profile of firm is adequate marked by low net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 2.80 crore in FY2024 as against its maturing debt obligation of Rs. 1.47 crore in the same period. Utilization of working capital limits remains moderate at ~ 95.86 percent in 12 months ended in June 2024. The rating reflects elongated working capital cycle amid moderate receivables and high inventory levels, as reflected from 155 days of GCA days in FY2024 (Prov.) and 116 days in FY2023 as compared to 113 days in FY2022. The financial risk profile has remained moderate marked by high gearing and declining debt coverage indicators due to decline in profits. The ratings continue to draw comfort from the experienced management, and long standing relationships with suppliers and customers.

About the Company

Incorporated in 1981, Axayya Alloys Private Limited (AAPL) was originally promoted by Mr. N. N. Kheer and taken over by Mr. Manoharlal Lodha in 2008. The company is engaged in manufacturing of aluminum alloy ingots. The manufacturing facility of the company is located at Khed in Pune with an annual manufacturing capacity of 21,600 MT. The company is currently promoted and managed by Mr. Manoharlal Lodha, Mr. Pavan Lodha and Mr. Mitesh Lodha.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile to arrive at the rating of AAPL.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Incorporated in 1981, AAPL is a Maharashtra based company engaged in manufacturing of Aluminium alloy ingots. The company is promoted by the Lodha family and presently run and managed by Mr. Manoharlal Lodha, Mr. Pavan Lodha and Mr. Mitesh Lodha who have wide experience in the industrial machine manufacturing sector. The operations of the company are managed by qualified and well experienced senior management team who are ably supported by a strong line of mid-level managers. The experience of the promoters and long track record of operations in the aforementioned industry has helped the company to maintain healthy and long-term relationships with both its customers and suppliers. Acuite believes that AAPL will continue to benefit from their established presence in the industry backed by promoters' vintage and established track record of operations.

Revenue and Profitability

The operating income has decreased to Rs. 176.30 crore in FY2024 (Prov.) and Rs. 197.11 crore in FY2023 as against Rs. 193.03 crore in FY2022. The revenue of the company has reduced by ~ 10.56 percent in comparison to FY2023. The lower demand for aluminium alloys in the domestic market is the causes of the revenue decline. As per the management discussion, the company has recorded revenue of ~ 53.60 crores in Q1 of FY2025.

The operating margin has increased in the last two years to 5.45 percent in FY2024 (Prov.) and 4.14 percent in FY2023 as compared to 3.47 percent in FY2022 due to decline in the overall raw material cost in the last two years. The PAT margin reduced to 0.81 percent in FY2024 (Prov.) and 1.16 percent in FY2023 against 1.06 percent in FY2022 on the account of incremental increase in finance cost. Acuite believes, that the profitability margin of the firm will be sustained at similar levels over the medium term.

Weaknesses

Financial Risk Profile: Moderate

Financial risk profile of company is moderate marked by low net worth of Rs. 24.62 crore in FY2024 (Prov.) and Rs. 23.20 crore in FY2023 as against Rs. 20.87 crore in FY2022. The improvement is majorly on account of accretion of reserves. The gearing (debt-equity) stood high at 2.01 times in FY2024 (Prov.) and 2.09 times in FY2023 as against 1.94 times in FY2022. The total debt outstanding of the company is Rs. 49.49 crore as on 31 March 2024 which consists of long-term bank borrowings of Rs. 5.99 crore and short-term working capital limit of Rs. 31.39 crore and loans from the directors of Rs. 9.13 crore.

The interest coverage ratio of the company decreased and stood at 1.40 times in FY2024 (Prov.) and 2 times in FY2023 as against 2.04 times for FY2022. The DSCR stood at 1.16 times for

FY2024 (Prov.) and 1.56 times in FY2023 as compared to 1.60 times for FY2022. The Net Cash Accruals to Total Debt stood at 0.06 times as on FY2024 (Prov.) and 0.07 times for FY2023 as against 0.09 times in FY2022. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 2.78 times in FY2024 (Prov.) and 2.50 times in FY2023 as against 2.74 times for FY2022. Acuité believes that the financial risk profile of the firm will continue to remain moderate over the medium term.

Intensive nature of Working Capital Cycle

The company has intensive nature of working capital of operations as reflected from 155 days of GCA days in FY2024 (Prov.) and 116 days in FY2023 as compared to 113 days in FY2022. Debtor days increased and stood at 40 days in FY2024 (Prov.) and 25 days in FY2023 as against 31 days in FY2022. Majority of debtors are below 3 months period. The creditor days stood at 42 days in FY2024 (Prov.) and 17 days in FY2023 as against 29 days in FY2022. Utilization of working capital limits remains moderate at ~ 95.86 percent in 12 months ended in June 2024. Acuité believes that the working capital requirement is likely to be on the similar level over the medium term.

Rating Sensitivities

Not Applicable

Liquidity Position Adequate

Liquidity profile of the company is adequate marked by declining but comfortable net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 2.80 crore in FY2024 (Prov.) as against its maturing debt obligation of Rs. 1.47 crore in the same period. Utilization of working capital limits remains high at ~ 95.86 percent in 12 months ended in June 2024, and as per the banker's feedback the account conduct is satisfactory during the year. The company has unencumbered cash and bank balances of Rs. 0.03 crore as on FY2024 (Prov.). The current ratio of the firm increased and stood at 1.48 times in FY2024 (Prov.). Acuité expects liquidity profile of the firm to remain adequate due to low accruals, moderate utilisation of bank lines and moderate current ratio over the medium term.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	176.30	197.11
PAT	Rs. Cr.	1.42	2.28
PAT Margin	(%)	0.81	1.16
Total Debt/Tangible Net Worth	Times	2.01	2.09
PBDIT/Interest	Times	1.40	2.00

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 May 2023	Cash Credit	Long Term	23.00	ACUITE BB+ Stable (Assigned)
	Covid Emergency Line.	Long Term	7.41	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.99	ACUITE BB+ Stable (Assigned)
	Proposed Cash Credit	Long Term	7.00	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.10	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	8.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.00	ACUITE BB+ Reaffirmed & Withdrawn
Union Bank of India	Not avl. / Not appl.	Covid Emergency Line.	16 Nov 2021	Not avl. / Not appl.	08 Apr 2024	Simple	7.41	ACUITE BB+ Reaffirmed & Withdrawn
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.10	Not Applicable Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	02 Feb 2021	Not avl. / Not appl.	08 Apr 2024	Simple	0.99	ACUITE BB+ Reaffirmed & Withdrawn

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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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