



Press Release
ALCAST SYNERGIES PRIVATE LIMITED
December 06, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.90	ACUITE BB Stable Assigned	-
Bank Loan Ratings	0.10	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to '**ACUITE BB**' (read as **ACUITE Double Ba**) and its short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the bank facilities of Rs. 48 Crore of Alcast Synergies Private Limited (ASPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects established track record of the management in the same line of industry. Since the commercial production started in June 2023, the rating gets comfort from healthy order book, improving scale of operations & profitability and moderate financial risk profile. However, rating is constraint due to intensive working capital operations and stretched liquidity profile of the company.

About the Company

Ludhiana based, Alcast Synergies Private Limited (ASPL) incorporated in March 2023, the company is into the manufacturing of a wide range of aluminium extrusions profiles and premium aluminium alloy ingots. The production started from June 2023. With in-house die manufacturing capability, the company also has the ability to provide customised products for their clients. The company is managed by the directors of the company, Mr. Rishipal Sood and Mr. Viprender Aggarwal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken standalone financial and business risk profile of Alcast Synergies Private Limited to arrive at this rating

Key Rating Drivers

Strengths

Experienced Management

The promoters of the company have rich experience in same line of industry managing other companies as M/s SV Alloys and Shri Vignesh Alloys Private Limited (SVAPL) which are into trading of aluminium scrap. The company boasts an extensive Die Library with over 6000 dies, supporting the production of more than 3000 profiles, and a range of aluminium alloys from the 1xxx to 7xxx series. With in-house die manufacturing

capability, the company also has the ability to provide customised products for their clients. Acuite believes that with the experienced management, the company will be able to acquire new clients in near future. The company has a healthy order book worth Rs. 112 Cr. as on 30th September 2024.

Scale of Operations & profitability

As FY 23-24, the first year of commercial production, the company has recorded the turnover of Rs. 97.27 Cr.

with EBIDTA of Rs. 1.66 Cr. The net profit of the company is Rs. 0.36 Cr. with the margin of 0.37% for FY 23-24. The company has already booked revenue of Rs. 54 Cr. as of 30th September 2024 with operational profit of Rs. 2.87 Cr. and net profit of Rs. 0.59 Cr. The increase in the operational profit in 6M FY 24-25 is mainly due to better price realization. Acuite believes that the operations & profitability of the company will improve with better realizations in near future.

Financial Risk Profile

The company's financial risk profile is moderate marked by net worth, gearing and debt protection metrics. The tangible net worth of the company stood at Rs. 20.49 Cr. as on March 31, 2024, due to accretion of profits into reserves and treatment of unsecured loans from promoters to quasi equity which amounting to Rs. 19.48 Cr. The adjusted gearing of the company (after treating unsecured loan as quasi equity) stood at 1.23 times as on March 31, 2024. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.56 times as on March 31, 2024. The debt protection metrics of the company is marked by ISCR at 1.36 times and DSCR at 1.33 times as on March 31, 2024. The ROCE of the company is 7.02% in FY 24. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals.

Weaknesses

Working Capital Operations

The working capital operations of the company is intensive marked by high Gross Current Assets (GCA) of 144 days for FY 23-24. This is mainly due to inventory holding i.e. 69 days for FY 23-24. As per management, it is common to hold the inventory for two -three months in this line of industry. The debtor days are as 56 days for FY 23-24. As on 30th September 2024, the outstanding debtors is Rs. 22.82 Cr. and all outstanding are below 30 days as per management. Despite having 56 days as debtor days, the company is timely repaying to all the creditors i.e. 24 days. Acuite believes that working capital operations will remain at a same level due to nature of business.

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

1. Scale of operations & profitability
2. Movement in debt protection metrics
3. Working capital operations.

Liquidity Position Stretched

The company has stretched liquidity marked by generating net cash accruals of Rs. 0.41 Cr. in FY 23-24 against the absence debt obligations for the same year. The company has a cash & bank balance of Rs. 0.53 Cr. as on 31st March 2024. The current ratio of the company is 1.50 times for FY 23-24. The average fund-based limits for last six months ended October 2024 is 93.31%. Acuite believes that the liquidity of the company is expected to improve as the company is expecting to generate steady cash accruals in over the medium term indicating availability of funds in near future.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	97.27	0.00
PAT	Rs. Cr.	0.36	0.00
PAT Margin	(%)	0.37	0.00
Total Debt/Tangible Net Worth	Times	1.23	0.00
PBDIT/Interest	Times	1.36	0.00

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

None

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 :

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.00	Simple	ACUITE BB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.10	Simple	ACUITE A4+ Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	05 Aug 2023	Not avl. / Not appl.	04 Aug 2025	3.94	Simple	ACUITE BB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	05 Aug 2023	Not avl. / Not appl.	04 Aug 2025	5.96	Simple	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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