

December 31, 2013

Facilities	Amount (Rs. Crore)	Ratings
Import Letter of Credit cum Buyers Credit	5.00*	SMERA A4 (Assigned)
Term Loan	3.50	SMERA B/Stable (Assigned)
Bank Guarantee	0.60	SMERA A4 (Assigned)

*Interchangeable with Cash Credit to the extent of Rs. 2.0 crore

SMERA has assigned a rating of **'SMERA B' (read as SMERA single B)** to the Rs.5.50 crore long-term bank facilities and **'SMERA A4' (read as SMERA A four)** to the Rs.3.60 crore short-term bank facilities of Anofol Far East Anodizing Private Limited (AFEAPL). The outlook is **'Stable'**. The ratings are constrained by the company's short track record and small scale of operations with losses at operating level, delays in project completion and projected deterioration in debt protection metrics. The ratings are further constrained by the company's exposure to foreign exchange fluctuation risk. However, the ratings are supported by the company's experienced management and parent support.

AFEAPL, incorporated in September 2011, is a Rajkot-based company engaged in manufacturing of anodized aluminium products. AFEAPL has a relatively small scale of operations with net sales of Rs.4.92 crore in FY2012-13 (refers to financial year, April 01 to March 31) and Rs.3.75 crore (as reported by the management) during April 2013 to October 2013. AFEAPL incurred operating loss of Rs.0.02 crore and net loss of Rs.0.01 crore in FY2012-13. Moreover, the company's net loss factors in non-operating income of Rs.0.57 crore in FY2012-13.

AFEAPL is installing a new production line (width 1,250 mm) for continuous coil anodizing. The commissioning of the new production line was delayed by about three months and the operations are likely to start in December 2013. AFEAPL has borrowed a term loan of Rs.3.50 crore (in May 2013) for the new production line. The repayment is scheduled to commence from January 29, 2014, with monthly instalments of Rs.0.06 crore. SMERA believes any further delay in commissioning of the new production line may have an adverse impact on AFEAPL's debt repayment ability.

AFEAPL's leverage is moderated at 0.22 times as on March 31, 2013. However, the company's leverage is projected to deteriorate due to higher working capital requirement and fresh term loans (of Rs.3.50 crore) availed during FY2013-14. AFEAPL is a net importer and the company does not hedge its foreign currency exposure. AFEAPL's profit margins are thus susceptible to adverse movements in foreign exchange rates.

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AFEAPL benefits from the managerial, financial and technical support derived from its holding companies — Miro Ref Private Limited, Gujarat and Anofol S.R.L., Italy. AFEAPL also benefits from its experienced management. Mr. Paolo Rossi and Mr. Mansukh Makwana, directors of AFEAPL, have around 35 years of experience in the aluminium industry. Mr. Kunal Makwana, director of AFEAPL, has around seven years of experience in the aluminium industry.

Outlook: Stable

SMERA expects AFEAPL to maintain a stable business risk profile over the medium term. The company is likely to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company scales up its operations while registering better profit margins and generating healthy cash flows post commissioning of the new production line. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability or in case of deterioration in the company's financial risk profile.

About the company

AFEAPL, incorporated in September 2011, is a Rajkot-based company engaged in manufacturing of anodized aluminium products. AFEAPL is a joint venture between Miro Ref Private Limited, Gujarat and Anofol S.R.L., Italy. AFEAPL's management team is headed by Mr. Paolo Rossi, Mr. Mansukh Makwana, Mr. Kunal Makwana, Mr. Paolo Gnocchi, Mr. Sergio Ceserani and Mr. Dinesh Patel.

The company has a production line of 500 mm. AFEAPL is installing a new production line of 1,250 mm for continuous coil anodizing. The company has a total production capacity of ~5,000 MTPA.

For FY2012–13, AFEAPL reported net loss of Rs.0.01 crore on operating income of Rs.4.92 crore, as compared with net loss of Rs.0.18 crore on operating income of Rs.0.44 crore for FY2011–12. AFEAPL's net worth stood at Rs.11.37 crore as on March 31, 2013, as compared with Rs.8.64 crore a year earlier.

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