

May 31, 2024

Global Aluminium Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based term loan	4.7	0.0	-
Long term – Fund-based cash credit	55.0	55.0	[ICRA]A (Stable); reaffirmed
Unallocated	3.3	8.0	[ICRA]A (Stable); reaffirmed
Total	63.0	63.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in ICRA's expectation of a sustained healthy operational and financial performance of Global Aluminium Private Limited (GAPL) in the near to medium term on the back of a robust domestic demand for aluminium extrusion players. ICRA notes that the company's performance was impacted in FY2024 due to a slowdown in the US and European markets that lowered the overall volumes and revenues by ~12% and ~17%, respectively. The impact on export volumes was partially offset by the increase in domestic volumes, driven by a sustained healthy demand from electric vehicle (EV) and other end-user industries.

Going forward, GAPL is expected to report healthy volume growth from the addition of new customers in the solar and EV segments. In FY2024, despite a decline in metal prices, the operating profit margin (OPM) remained steady at ~10.9% owing to a higher proportion of value-added orders. In the current fiscal, the operating margins are likely to improve further because of firm metal prices expected in the near term, bigger share of high-margin orders (larger diameter profiles) and other cost rationalisation measures undertaken by the company. Consequently, the debt coverage indicators are also expected to remain healthy. The liquidity position in FY2024, despite moderating from the FY2023 levels due to a share buyback worth ~Rs. 93 crore, remained comfortable on the back of healthy cash accruals and no major capex during the year.

The rating continues to consider GAPL's established presence and the significant experience of the promoters in the domestic aluminium extrusion industry, leading to a wide distribution network and a reputed customer base, lending stability to its business volumes. The rating, however, is constrained by GAPL's moderate net worth position due to limited accretion to reserves in the past and the recent share buyback that lowered the TNW by ~Rs. 93 crore. GAPL's margins remain exposed to fluctuations in raw material prices and foreign exchange rates along with intense competition, given the highly fragmented nature of the industry.

The Stable outlook indicates that the company will continue to benefit from its strong operating profile comprising various value-added facilities and continuous customer addition in India and abroad.

Key rating drivers and their description

Credit strengths

Healthy financial performance - In FY2024, while GAPL's revenues were lower ~17% on a YoY basis, due to lower export volumes, its operating profits continued to be healthy at ~Rs.99 crore, driven by healthy share of high-margin orders. Going forward, the revenues are expected to increase with a rise in sales volumes and higher realisations, driven by healthy domestic demand. The operating margins are expected to remain healthy with increase in share of value-added products (larger diameter profiles).

Comfortable debt protection metrics and liquidity position - The company's financial risk profile continues to be comfortable, evident from its satisfactory capital structure (gearing of 0.5 times as on March 31, 2024) and debt coverage metrics (interest cover of ~7.8 times in FY2024). Further, the company's exposure to external debt reduced to nil with the repayment of the term loans during the year. The liquidity position, despite moderating in FY2024 due to Rs. 93-crore outflow on account of a share buyback by the promoters, continued to be healthy with the company having cash and liquid investment of ~Rs. 55 crore as of March 2024. The working capital limit utilisation increased in Q4 FY2024, though it again declined in the current fiscal, resulting in low utilisation of limits. Going forward, the coverage indicators would continue to be comfortable with revenue growth and a healthy OPM.

Vast experience of promoters and established presence in aluminium extrusion industry - The company is promoted by Mr. Anil Agarwal, who has more than 30 years of experience in the aluminium extrusion industry. With over two decades of operational track record and an aggregate capacity of 50,400 MTPA, GAPL is an established player in the domestic aluminium extrusion industry. The promoter's rich experience has enabled the company to establish healthy relationships with various reputed customers and suppliers. The company has an established market presence and can produce diverse products that find application in varied end-user industries.

Credit challenges

Moderation in net worth position due to share buyback in FY2024 - Limited accretion to reserves in the past has led to a lower net worth position for GAPL. Further, its net worth position moderated in FY2024 on account of the share buyback, resulting in an outflow of Rs. 93 crore from the company's reserves. While the healthy accretion in the recent three fiscals has improved the net worth position from the past levels, it still remains low. However, the net worth is expected to improve in the medium term with continued healthy performance and accretion to reserves.

Intense competition in industry - The company faces competition from organised and unorganised players in the fragmented aluminium extrusion industry, given the low capital investment and technical expertise required to produce extrusions with simple designs. As the company has healthy capacity in the extrusion space in India, it enjoys some pricing flexibility with customers that are not price sensitive and focus primarily on quality.

Susceptibility of margins to fluctuations in raw material prices - Aluminium accounts for 96-97% of the total raw material costs. With volatility in prices, GAPL's margins remain susceptible to the raw material price movement. However, the company matches sales with purchases, mitigating the raw material price risk to an extent. The company purchases aluminium in the form of ingots and billets from large domestic suppliers like Vedanta Aluminium Limited and National Aluminium Company. Additionally, due to sizeable exports earnings, GAPL remains susceptible to fluctuations in foreign exchange rates.

Liquidity position: Adequate

The company's liquidity position is adequate, given the robust cash generation from the business, healthy cash and FD balance of ~Rs. 52 crore as on March 31, 2024, sufficient cushion in working capital limits (averaging at ~Rs. 42 crore for the six month period ended in March 2024), no external debt repayment obligations and calibrated capex plans over the medium term. Further, ICRA understands that the liquidity is expected to remain adequate even with the repayment of the entire outstanding promoter loan in the coming fiscals, as per the company's plans.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates a significant increase in revenues and profitability and a strengthened net worth position, while maintaining healthy debt coverage indicators and liquidity.

Negative factors – The rating could witness a downward revision if the company's revenue/profitability is adversely impacted, leading to a deterioration in the debt protection metrics. Further, any sizeable dividend payout or higher working capital

requirement, adversely impacting the liquidity position can result in a downward rating revision. A specific trigger for downgrade would be an interest coverage below 5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

GAPL, incorporated in 1997, manufactures aluminium extrusions used in architecture, electronics, electrical and automobile industries. The company's manufacturing unit is at Kallakal village in the Medak district of Telangana with an installed capacity of 50,400 MTPA (enhanced from 32,400 MTPA in FY2020). The company manufactures premium quality extrusions in different alloys using more than 15,000 dies for 8,000 different profiles. Further, the company has in-house anodising and powder coating facilities to manufacture value-added products. The day-to-day operations of GAPL are managed by its Managing Director, Mr. Anil Agarwal.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	1,102.0	911.0
PAT	78.0	65.0
OPBDIT/OI	11.2%	10.9%
PAT/OI	7.1%	7.1%
Total outside liabilities/Tangible net worth (times)	0.6	0.8
Total debt/OPBDIT (times)	0.6	0.9
Interest coverage (times)	8.2	7.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				May 31, 2024	May 11, 2023	May 23, 2022	Feb 16, 2022	Sep 06, 2021
1 Fund-based term loan	Long term	0.00	-	-	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)
2 Fund-based working capital	Long term	55.0	43	[ICRA]A(Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)

3 Unallocated	Long term	8.0	-	[ICRA]A(Stable)	[ICRA]A (Stable)	-	-	[ICRA]BBB+ (Positive)
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* as on Mar 31, 2024

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based working capital	Simple
Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	55.0	[ICRA]A(Stable)
NA	Unallocated	-	-	-	8.0	[ICRA]A(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not applicable.

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Branches



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