

## Global Aluminium Private Limited

April 05, 2019

### Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund based limits- Cash Credit	43.00	[ICRA]BBB+ (Stable); Assigned
Long Term- Unallocated limits	2.00	[ICRA]BBB+ (Stable); Assigned
<b>Total</b>	<b>45.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned rating favourably factors in the GAPL's established presence and significant experience of the promoters in the domestic Aluminium extrusion industry leading to wide distribution network, and reputed customer base. Moreover, GAPL supplies extrusions to various end-user industries including architectural, electronics, automobile, etc., lending stability to business volumes. The rating also considers the company's healthy financial risk profile with consistent growth in the revenues and operating margins, healthy capital structure, and comfortable debt coverage metrics.

However, the rating is constrained by susceptibility of margins to fluctuations in the raw material prices and foreign exchange rates and high competition given the highly fragmented nature of the industry. ICRA notes the proposed debt-funded capital expenditure of Rs. 37.0 crore in FY2020 to increase the company's installed manufacturing capacity, successful ramp-up of which remains crucial for further improvement of coverage metrics.

### Outlook: Stable

ICRA believes that GAPL will continue to benefit from its operational track record, experience of the promoters, and established customer base. The outlook may be revised to Positive if the higher-than-expected revenue growth and accruals improve its financial profile. The outlook might be revised to Negative if any higher-than-expected debt-funded capital expenditure, or lower-than-expected cash accruals, or stretched working capital cycle weakens its capital structure and liquidity position.

### Key rating drivers

### Credit strengths

**Vast experience of promoters-** The company is promoted by Mr. Anil Agarwal who has more than 20 years of experience in the Aluminium extrusion industry. The promoter's rich experience has enabled the company to establish healthy relationship with various reputed customers and suppliers.

**Established presence in the Aluminium extrusion industry** – With over two decades of operational track record and an aggregate capacity of 32,400 MTPA, GAPL is an established player in the domestic Aluminium extrusion industry. The company enjoys established market presence, and capability to produce diverse product offerings which find application in varied end-user industries.

**Healthy financial risk profile-** The company’s revenues grew at a CAGR of 19.7% for the period FY2014-18 and its margins improved considerably over the past five years leading to healthy RoCE of ~33.9% in FY2018. The company has healthy capital structure with gearing of 0.8 times as on March 31, 2018 and comfortable debt coverage metrics in FY2018. The company’s revenues and accruals are expected to witness healthy, going forward, on the back of expected growth in sales volumes.

### Credit challenges

**Susceptibility of margins to fluctuations in raw material prices and foreign exchange rates** – Aluminium accounts for ~96.0-97.0% of total raw material costs, and with the prices being volatile, GAPL’s margins remain susceptible to the raw material price movement. The company purchases Aluminium in the form of ingots and billets from large domestic suppliers like Vedanta Aluminium Limited, National Aluminium Company and Hindalco Industries Limited. In addition to domestic purchases, the company also imports a part of his raw material requirement. While there is a natural hedge to the extent of exports, the earnings remain susceptible to fluctuations in foreign exchange rates.

**High competitive intensity** – The company faces competition from the organized and unorganized players in the fragmented Aluminium extrusion industry, given the low capital investment and technical expertise required to produce extrusions with simple designs. Given that the company has moderate capacity in the extrusion space in India, it enjoys some pricing flexibility with customers who are not price-sensitive and whose primary focus is on quality.

**Debt-funded capital expenditure plans in the near term-** The company is expected to incur a capital expenditure of ~Rs. 37.0 crore in FY2020 in order to enhance the installed capacity to 50,400 MTPA from 32,400 MTPA by September 2019 and is expected to be funded through term loans of Rs. 18.0 crore and internal accruals. The successful ramp-up of expanded remains crucial for further improvement in its financial profile

### Liquidity Position

The company’s liquidity position has been comfortable in the absence of repayments obligations. The company’s average working capital utilisation has been comfortable at 37.0% over the past 12 months and had cash balance of Rs. 6.15 crore as on March 31, 2018. However, ICRA notes the growing working capital requirements given the proposed revenue growth and expansion plans.

### Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation / Standalone	The rating is based on standalone financial statements of the company

## About the company

Global Aluminium Private Limited (GAPL), incorporated in 1997, is engaged in the manufacturing of Aluminium extrusions used in architectural, electronics, electrical and automobile industries. The company's manufacturing unit is located at Kallakal village of Medak district with an installed capacity of 32,400 MTPA. 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.

GAPL has reported an operating income of Rs. 430.6 crore and net profit of Rs. 18.2 crore in FY2018 against an operating income of Rs. 336.9 crore and net profit of Rs. 15.5 crore in FY2017.

## Key Financial Indicators (Audited)

	FY 2017	FY 2018
Operating Income (Rs. crore)	336.9	430.6
PAT (Rs. crore)	15.5	18.2
OPBDIT/ OI (%)	7.9%	9.2%
RoCE (%)	22.3%	33.9%
Total Debt/ TNW (times)	1.2	0.8
Total Debt/ OPBDIT (times)	2.1	1.1
Interest coverage (times)	3.3	4.8
NWC/ OI (%)	21.2%	16.8%

**Status of non-cooperation with previous CRA:** The ratings on bank facilities of GAPL continues to be 'CRISIL BB/Stable Issuer not cooperating' according to the rating rationale published by CRISIL on its website on November 09, 2018.

**Any other information: None**

## Rating history for last three years:

Instrument	Current Rating(FY2020)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Fund based limits- Cash Credit	Long Term	43.00	-	April 2019 [ICRA]BBB+ (Stable)	-	-	-
2 Unallocated	Long Term	2.00	-	[ICRA]BBB+ (Stable)	-	-	-

## Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	43.00	[ICRA]BBB+ (Stable)
NA	Unallocated	-	-	-	2.00	[ICRA]BBB+ (Stable)

Source: Global Aluminium Private Limited

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