

## Alkali Metals Limited

| Instrument            | Amount<br>In Rs Crore         | Rating Action                        |
|-----------------------|-------------------------------|--------------------------------------|
| Fund Based Limits     | 18.81<br>(revised from 23.67) | [ICRA]BB(Stable) reaffirmed          |
| Non Fund Based Limits | 8.50<br>(revised from 8.74)   | [ICRA]A4 reaffirmed                  |
| Unallocated Limits    | 14.69<br>(revised from 9.59)  | [ICRA]BB(Stable)/[ICRA]A4 reaffirmed |

ICRA has reaffirmed the long term rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs. 18.81 crore<sup>1</sup> (revised from Rs 23.67 crore) fund based limits of Alkali Metals Limited (AML)<sup>†</sup>. ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs 8.50 crore (revised from Rs 8.74 crore) non fund based limits and also reaffirmed the ratings of [ICRA]BB/[ICRA]A4 assigned to the Rs 14.69 crore (revised from 9.59 crore) unallocated limits of AML . The outlook on the long term rating is Stable.

The reaffirmation of ratings continue to factor in the long track record of the company in manufacturing of sodium derivatives; diverse product portfolio of the company with presence in sodium derivatives, amino pyridines and fine chemicals; and moderate customer concentration risk with top 5 customers contributing to 31% and 38% of total sales in FY2016 and H1FY2017. The ratings also consider the comfortable financial risk profile with low gearing of 0.34 times as on March 31, 2016. The ratings, however are constrained by modest scale of operations; low capacity utilizations in the last few years and decline in operating income by 25% in H1FY2017 to Rs 27.31 crore owing to drop in sales of sodium derivatives, amino pyridines; and delay in ramp up of revenues from Metformin sales due to delay in getting international approvals impacting the business returns. The ratings are also constrained by the weak liquidity position of the company as reflected by high utilization of cash credit limits in the past 12 months owing to high inventory levels; and exposure of profitability to foreign exchange fluctuations as exports contributes to significant portion of total sales and to volatility in raw material prices.

Going forward, increase in scale of operations while managing working capital requirements would remain key rating sensitivities from credit perspective.

### Company Profile

Alkali Metals Limited was set up in 1968 as a joint venture with Andhra Pradesh Industrial Development Corporation Limited (APIDC). Initially, the company was into the production of sodium metal, but exited this business in 1989 as increased power costs made manufacturing of the product unviable. Subsequently, it diversified into the manufacture of derivatives based on sodium metal, picoline, and other cyclic compounds. AML's products can be classified under broad categories of sodium derivatives, amino-pyridines, fine chemicals and API's such as metformin. Its products are sold primarily to pharmaceutical companies for further processing and conversion into bulk drugs.

### Recent Results

The company reported net profit of Rs. 2.26 crore on operating income of Rs. 73.28 crore in FY2016 and net profit of Rs. 0.29 crore on operating income of Rs. 27.31 crore in H1 FY 2017.

**December 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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