

## Alkali Metals Limited

Instrument	Amount in Rs. Crore	Rating Action
Fund Based Limits	23.67(revised from 27.00)	[ICRA]BB(Stable) Upgraded
Non Fund Based Limits	8.74(revised from 8.50)	[ICRA]A4 reaffirmed
Unallocated Limits	9.59(revised from 6.50)	[ICRA]BB(stable)/[ICRA]A4 Upgraded/reaffirmed

ICRA has upgraded the long term rating assigned to Rs. 23.67 crore\* (revised from Rs 27.00 crore) fund based limits of Alkali Metals Limited (AML)<sup>†</sup> to [ICRA]BB (pronounced ICRA double B) from [ICRA]BB- (pronounced ICRA double B minus) and reaffirmed the short term rating assigned to Rs. 8.74 crore (revised from Rs 8.50 crore) non-fund based limits of AML at [ICRA]A4 (pronounced ICRA A four). ICRA has also upgraded the long term rating assigned to Rs. 9.59 crore (revised from Rs 6.50 crore) unallocated limits of AML to [ICRA]BB (pronounced ICRA double B) from [ICRA]BB- (pronounced ICRA double B minus) and reaffirmed the short term rating at [ICRA]A4 (pronounced ICRA A four). The outlook on long term rating is stable.

The ratings upgrade factors in improved operating profitability levels of AML in H1FY2016 owing to improved realizations of few products coupled with reduced power expenses and prepayment of term loan due to improved cash accruals. The 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. The ratings also consider the comfortable financial risk profile with low gearing of 0.48 times as on September 30, 2015. The ratings, however are constrained by modest scale of operations; low capacity utilizations in the last few years coupled with delay in ramp up of revenues from Metformin facility due to delay in getting approvals impacting the business returns. The ratings are also constrained by exposure to foreign exchange fluctuations as exports contribute to significant portion of total sales and vulnerability of profits to volatility in raw material prices.

Going forward, ramp up of revenue from the new facilities, improvement in profitability and managing working capital requirements are the key rating drivers 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. 0.28 crore on operating income of Rs. 68.44 crore in FY 2015 and net profit of Rs. 1.64 crore on operating income of Rs. 32.47 crore in H1 FY 2016.

**November 2015**

\* 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.



*For further details please contact:*

*Analyst Contacts:*

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

*Relationship Contacts:*

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500