

Press Release

Shri Nagal Aluminium Company

January 21, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits –Cash Credit	2.25	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)
2.	Long Term Rupee Term Loan	4.25	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)
	Total	6.50	

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from locational advantage, the experience of the promoter, industry growth, and the proximity of raw material supplier. The rating, however, is constrained by nascent stage of operation, fluctuation in the price of raw material price and intense competition.

Key Rating Sensitivities

Upward revision factors:

Generation of revenue and cash flow as projected by the management

Downward revision factors:

Inability to generate revenue and cash flow as projected

List of key rating drivers with a detailed description

Key Rating Strengths

▪ ***Locational Advantage***

Shri Nagal Aluminium Company is located in Mangrol district, Surat. The main benefit of this location is that it is in the vicinity of Surat Industrial corridor and also the plant is positioned on the side of the highway. This provides firm to save on logistical expenses.

- ***Experience of the promoter***

One of the promoters of the firm is having more than a decade experience in the field of trading of the aluminium product.

- ***Industry growth***

The industry is growing at 6-8% on a y-o-y basis. Also, because of growth in real estate increases demand for the aluminium.

- ***The proximity of raw material supplier***

The major raw material aluminium scrap & ingots is available in abundance in Surat, Ahmedabad, Mumbai, and nearby areas being the presence of many industrial zone.

Key Rating Weaknesses

- ***Nascent stage of operation:***

The company has started its operation since July 2019. FY21 will be the first full year of operation. In the last six months ended December 2019, it has achieved sales of INR2.69 Crores. However, Infomerics believes the company's ability to stabilise operations and generate positive cash flows can be ascertained only after a year's functioning.

- ***Fluctuation in the price of raw material price***

The price of aluminum scrap & primary aluminum iron ore/pellet and ingots are volatile in nature and the same exposes the firm to input price fluctuation risk.

- ***Intense competition***

The market is dominated by many organised, and unorganised player due to low capital investment & small technicality involved leading to intense competition.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for manufacturing sector companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

The company's liquidity position is **Adequate** as reflected by its around 44.14% use of the working capital limits on average during the last 6 months ended December 2019. The company's GCA is remaining comfortable on a year-on-year basis to meet its repayment obligations with healthy projected interest coverage ratio.

About the Company/Firm

Situated in Surat, Gujarat Shri Nagal Aluminium Company is a partnership firm. Mr.Ganpat Ugambhai Nagal, Mr.Mehul Mukeshkumar Metawala, Mr.Vijaykumar R Davariya, and Mr.Harikrushna M Patel are the partners. The firm is into the manufacturing of aluminium profile & other products with an installed capacity of 300 tonnes/Day.

Financials (Standalone) (Rs. Crores): No financials have been presented as there is no operation till FY19.

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A.

Rating History for the last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	2.25	IVR B+ /Stable Outlook	--	--	--
2.	Rupee Long Term Loan	Long Term	4.25	IVR B+ /Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in a varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	On demand	2.25	IVR B+ /Stable Outlook
Term Loan	--	--	June 2024	4.25	IVR B+ /Stable Outlook