



Press Release

Inalco Metal Private Limited

January 08, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Total	50.00	Rupees Fifty Crore Only			

Details of Facilities/Instruments are in Annexure 1.

Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating for long term facilities as IVR BBB with Stable outlook for the bank facilities of Inalco Metal Private Limited (IMPL).

The rating draws comfort from the experienced promoters, growing scale of operations albeit moderate profitability margin and favourable location of the plant. However, these strengths are partially offset by leveraged capital structure and moderate debt coverage indicators, exposure to raw material price volatility, foreign exchange risk and intense competition and the fragmented nature of the industry.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that the IMPL's business & financials risk profile will be maintained over the medium term on the back of its ability to improve its scale of operations while maintaining its margins and capital structure.

IVR has principally relied on the audited financial results of IMPL up to FY24 refers to period from (April 01 to March 31) and projected financials for FY25, FY26 and FY27, along with publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Sustained growth in scale of operations with further improvement in profitability, and cash on a sustained basis.
- Improvement in capital structure and debt protection metrics.

Downward Factors

- Moderation in total operating income and/or moderation in profitability leading to deterioration in gross cash accruals on a sustained basis.
- Deterioration in the capital structure and/or deterioration in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

IMPL is promoted by Mr. Mohit Garg and Mr. Nandan Garg who have experience in the aluminium industry since 2018. Their strong understanding of market dynamics has enabled the company to establish healthy relationships with customers and suppliers. Both the promoters are actively involved in day-to-day operations of the company along with experienced management personnels. The promoters are also involved in running group company namely Fire Stone Metal Pvt. Ltd. which is a company engaged in manufacturing of aluminium extrusions, Aluminium ingots, aluminium profiles, etc.

Growing scale of operations albeit moderate profitability margin

The total operating income (TOI) stood at Rs. 255.06 crore in FY24 as against Rs. 82.18 crore in FY23. The growth is driven by start of manufacturing plant for production of aluminium sheets and coils in the end of May 2023. Prior to this, the company was generating revenue from trading of aluminium. The profitability of the company remains moderate as reflected by EBITDA margin of 7.50% in FY24 as against 13.62% in FY23 and PAT margins of 3.15% in FY24 as against 8.73% in FY23. The decline in profitability margins is attributed to volatile nature of the prices of raw material. Gross cash accruals remained moderate at Rs. 12.29 crore in FY24 from Rs. 8.28 crore in FY23. IMPL reported TOI of Rs. 221.71 crores in H1FY25 (Provisional).

Favourable location of the plant



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The manufacturing facility of the company is situated at Bhiwadi, Rajasthan. It is well connected through roads and railways. The strategic location of the plant enables the company to easily and cost effectively procure raw materials and distribute its product.

Key Rating Weaknesses

Leveraged capital structure and moderate debt coverage indicators

The capital structure of the company has remained leveraged with overall gearing and TOL/TNW of 1.61 times and 1.82 times, respectively as on March 31, 2024 as compared to 0.90 times and 1.10 times, respectively as on March 31, 2023. Overall capital structure has declined on account of drawdown of term loan for capex and higher utilization of working capital limit. The debt coverage indicators marked by interest coverage stood moderate at 3.93 times as on March 31, 2024 against 9.49 times as on March 31, 2023 and Total debt /gross cash accruals at 5.72 times as on March 31, 2024 from 3.86 times as on March 31, 2023.

Exposure to raw material price volatility and foreign exchange risk

The aluminium industry is cyclical in nature where commodity prices are a derivative of demand supply conditions and has strong linkages with price variations in the global market. Aluminium ingots and scrap are the key raw material for the company. The company procures raw material from domestic markets as well as international markets, therefore is exposed to volatile raw material prices. This results in risk of price fluctuation on the inventory of raw materials as well as finished goods. Additionally, import of raw material exposes the profitability margins to volatility in foreign exchange rates.

Intense Competition and Fragmented Nature of the industry:

The market is highly competitive and fragmented, with the presence of many large and small players, who compete based on price, quality, product differentiation, and customer service. Due to low entry barriers, the players in the industry do not have pricing power and intense competition put pressure on revenue and profitability. Additionally, its products, which are mostly used by intermediaries, are exposed to the risks associated with pricing volatility and industry cyclicity.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The Company generated gross cash accruals of Rs. 12.29 crore in FY2024 against its maturing debt obligations of Rs. 0.93 crore for the same period. Further, the cash accruals of the Company are projected to remain in the range of Rs. 20.72 crore- Rs. 31.90 crore against its maturing debt obligations of Rs. 4.56 crore-Rs. 9.53 crore during FY 2025-27. The working capital limits remained moderately utilized at 67% in the twelve months October 24. Current ratio remains comfortable at 1.80x as on March 31, 2024.

About the Company

Inalco Metal Private Limited was incorporated on 16.06.2018 with prime objectives of carrying on the business of manufacturing and trading of aluminium and aluminium products. The Company has set up a manufacturing unit of Aluminium Flat Rolled Products at RIICO Industrial Area, Karoli, Bhiwadi, Rajasthan with installed capacity of 21600 MT per annum. Additionally, it is expanding its existing facility from 21600 TPA to 28800 TPA. The Company is promoted by Mr. Mohit Garg and Mr. Nandan Garg.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	82.18	255.06
EBITDA	11.19	19.12
PAT	7.18	8.04
Total Debt	32.01	70.30
Tangible Net Worth	35.67	43.71
EBITDA Margin (%)	13.62	7.50



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PAT Margin (%)	8.73	3.15
Overall Gearing Ratio (x)	0.90	1.61
Interest Coverage (x)	9.49	3.93

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
1.	Fund Based	Long Term	50.00	IVR BBB/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	October 2030	25.00	IVR BBB/Stable
Cash Credit	-	-	-	-	25.00	VR BBB/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-inalco-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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