



Press Release

Namo Alloys Private Limited

February 06, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	50.00	Rupees Fifty Crores		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BB+ with a Stable Outlook for the bank loan facilities of Namu Alloys Private Limited (NAPL).

The rating draws comfort from established track record of operations and experienced management and reputed clientele with low counterparty risk. However, these strengths are partially offset by moderate financial risk profile, intense competition, and exposure to volatility in raw material prices and foreign currency fluctuation risk.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes NAPL's will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders.

IVR has principally relied on the standalone audited financial results of NAPL upto 31 March 2023, projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the firm's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 4%
- Improvement in debt protection metrics and overall business risk profile
- Sustenance of the gearing below 1.70x

Downward Factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- Experienced track record of operations and experienced management

NAPL, commenced its business in 1996 and has a successful track record of around 28 years in the existing line of business. Overall activities of NAPL are managed by two directors with Mr. Neeraj Kumar Jain being the Managing Director. He has experience of more than 2 decades in the aluminium ingot business as well as pressurised die casting components. He is ably supported by other director namely, Mr. Jaiprakash who have effective experience in existing line of business as well as supported by qualified and well experienced management team.

- Reputed clientele with low counterparty risk

The company is dealing with reputed clients namely Maruti Suzuki India Limited, Honda Motorcycle and Scooter India, Yamaha, Uno-Minda, RICO Auto Industries Limited, Rockman Industries Limited etc. The company has been associated with most of the key clients for a long time, and the successful execution of the orders has also helped it in getting repeat orders. Due to reputed client profiles, the company has low counterparty credit risk although at times, there can be delays in the realization of some bills.

B. Key Rating Weaknesses

- Moderate financial risk profile

The company's financial profile is marked by moderate net worth and low debt protection metrics and high gearing. NAPL's net worth stood at Rs. 39.18 crore in FY2023 as against Rs. 37.33 crore in FY2022. The company has leveraged capital structure marked by overall gearing of 2.18x in FY2023 as compared to 1.95x in FY2022. Similarly, total indebtedness of the company as reflected by TOL/TNW stood moderate at 2.35x in FY2023. The debt protection metrics interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR) declined to 3.51x and 1.92x respectively in FY2023 as compared to 7.66x and 5.40x respectively in FY2022.

- Intense competition

The company is exposed to intense competition in the non-ferrous alloying segment in the domestic and export markets from big, organized players as well as the small unorganized players in the industry leading to limited pricing power and ultimately its impacting operating margins.



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- Exposure to volatility in raw material prices and foreign currency fluctuation risk

The raw material forms the major component of the overall cost of the company. The basic raw materials for production are aluminium scrap and zinc metal, prices of which are linked to international commodity indices which exposes it to the inherent volatility associated to price which in turn may impact the margins of the company. NAPL imports almost 80-90 percent of its raw material from the European and Middle Eastern countries with no hedging strategy in place thereby exposing it to the foreign currency fluctuation risk.

Analytical Approach: For arriving at the ratings, IVR has analysed NAPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 1.16 crore, as on 31st March 2023. Against a current portion of long-term debt (CPLTD) of Rs. 0.56 crore in FY2023, the company had a cash accrual of Rs. 3.87 crore in FY2023. The company projected to generate cash accruals of Rs. 7.41 crore in FY2024 against a CPLTD of Rs. 0.56 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

Namo Alloys Private Limited (NAPL) was incorporated in 1996 and having its manufacturing facility is in Prithla, Haryana. It is engaged in manufacturing of aluminium and zinc alloy ingots for pressured die casting equipment with an installed capacity of 27,000 MTPA.



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Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	566.38	465.32
EBITDA	17.81	10.59
PAT	12.57	1.86
Total Debt	72.65	85.42
Tangible Net worth	37.33	39.18
EBITDA Margin (%)	3.14	2.28
PAT Margin (%)	2.21	0.40
Overall Gearing Ratio (x)	1.95	2.18

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	50.00	IVR BB+/ 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).



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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 7 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.

For more information visit www.infomerics.com.

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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	-	-	-	50.00	IVR BB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NamoAlloys-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 [Complexity Level of Rated Instruments/Facilities](#).