Sumridhi Aluminium Private Limited

April 23, 2025

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	231.72	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	46.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	277.72 **(Two Hundred Seventy-Seven Crore and Seventy-Two Lakh 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 to the bank facilities of Sumridhi Aluminium Private Limited (SAPL) based on strengths derived from extensive experience of promoters in the aluminium industry, strong and diversified client profile, strategic location of the plant and improving scale of operations. The rating is however constrained by leveraged capital structure and modest debt protection metrics, fluctuating EBITDA margins and competitive nature of industry & volatility in raw material prices.

The stable outlook reflects the fact that the entity will continue to benefit from extensive experience of promoters in the aluminium industry & economies of scale due to increased capacity.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the total operating income and EBITDA margins leading to improvement in debt protection metrics & TOL/TNW of below 1.5x.

Downward Factors

- Any decline in the total operating income and/or EBITDA margin leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in operating cycle impacting the firm's liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in the aluminium industry**
  Sumridhi Aluminium Private Limited (SAPL) was established in 2006 by Mr. Anil Kanodia. The company is into processing and manufacturing of auto-grade aluminium ingots and molten aluminium. The company commenced commercial operations in 2011 with an initial production capacity of 15,000 MT, which has now expanded to 61,420 MT. The promoter of SAPL, Mr. Anil Kanodia has more than 35 years' experience in trading and recycling of aluminum scrap. He is supported by his son Mr. Abhimanyu Kanodia and a team of qualified professionals.

- **Strong and diversified client profile**
  SAPL have a strong and stable customer base, with key clients such as Maruti Suzuki India Ltd., Sunbeam Lightweighting Solutions Pvt. Ltd, Dr Axion Private Limited, Craftsman Automation Limited, Linamar India Private Limited, Wanfeng Aluminium Wheel (India) Private Limited, most of which are recognized leaders in the auto manufacturing industry. The clientele suggests SAPL's credibility and the quality of its offerings, especially considering that its top 6 customers account for around 82.13% of the company's total sales for 9MFY25 (refers to period April 2024 to December 2024). While this high concentration of revenue from a small number of customers indicates a moderate credit concentration risk, reputed client base adds a layer of financial stability and reduces the risk of non-payment. The concentration risk has however reduced as its top 4 customers accounted for around 99.29% of the company's total sales in FY24 (Audited) [refers to period April 1, 2023, to March 31, 2024]. Majority of the sales of the company happen in and around Palwal and Bawal (Haryana). This geographical concentration in one state could pose some risk if regional economic/political conditions fluctuate, but the strong

reputation of SAPL's clients, particularly in the auto sectors, suggests that their demand for SAPL’s products is likely to remain stable.

- **Strategic location of the plant**

  The company has two plants in Haryana at Palwal and Bawal. Both the Palwal plant (capacity 31,920MT) and Bawal (capacity 29,500MT) are strategically located near the target customer base. The customers are located within a radius of 4-5 kms because the molten metal needs to be supplied (including loading, transportation and unloading) within 40-50 minutes because of the nature of the product.

- **Improving scale of operations**

  SAPL scale of operations has witnessed improvement with total operational income improving to Rs. 615.61 crore in FY24 from Rs. 429.53 crore in FY23 [refers to period April 1, 2022, to March 31, 2023]. This was primarily because the company had expanded its production capacity by establishing a new plant in Bawal, Haryana, with a capacity of 29,500 MT. Production from this plant started in December 2023. This expansion has increased the total production capacity to 61,420 MT in FY24 from 31,920 MT in FY23. The company had booked revenue of around Rs.790.00 crore in FY25 (refers to period April 1, 2024, to March 31, 2025). The total sales quantity of the company improved from ~17,529 MT in FY23 to ~22,621 MT in FY24. The average realization however, had dipped from Rs. 222,811.81/- per MT in FY23 to Rs. 213,994.07/- per MT in FY24 however the same improved in FY25 (till February 2025) to Rs. 226,118.82/- per MT for generic products. Additionally, a healthy order book of Rs. 1500.00 crore as on 1st April 2025 from various customers which needs to be executed in next 15-18 months provide boost to revenue in the projected period.

Key Rating Weaknesses

- **Leveraged capital structure and modest debt protection metrics**

  The financial risk profile of the company is marked by leveraged capital structure. The overall gearing of the company stood at 2.95x as on March 31, 2024 (March 31, 2023: 1.80x). The total indebtedness of the company reflected by TOL/TNW deteriorated to 3.13x as on March 31, 2024 (March 31, 2023: 2.12x) due to increased debt for capex and support working capital requirement. Unsecured loan amounting to Rs. 15.47 crore is treated as quasi equity. The debt protection metrics of the company remained modest marked by interest coverage ratio of 1.55x in FY24 (FY23: 3.24x). Further, total debt to NCA remained moderate at 25.10 times as on March 31, 2024 (FY23: 8.20 times). The DSCR as on March 31, 2024, stood at 1.22x (FY23: 2.36x). The debt protection metrics and capital structure expected to improve gradually in the projected period.

- **Fluctuating EBITDA margins**

  EBITDA margins in FY21 were at higher end at 10.02% due to V shape recovery post covid. In normal course the companies EBITDA margin before the Bawal plant became operational stood at around 6%. However, post the Bawal plant the company expects the EBITDA margins to go higher due to specialized alloys produced by the company which has higher margins. The EBITDA margin of the company declined from 6.84% in FY23 to 4.70% in FY24. This was primarily due to the facility in Bawal which started phase wise production from December 2023 onwards. However, there was increased overhead expenses which was incurred during this period.

- **Competitive nature of industry & volatility in raw material prices**

  Aluminium business is characterized by high competition, fragmentation, and cyclicity nature, having many unorganized players in the industry. Also, due to the manufacturing nature of its operations, the entry barriers remain low, resulting in high competition and consequently limited pricing flexibility which limits the pricing power of group. Also, it is characterized by the volatility in aluminium prices in the market due to government intervention in case of import duties as well as cheap aluminium scrap available from overseas. The realizations are also affected by the ongoing Ukraine USSR war and degrowth in US and European market and other changes in government policies and geopolitical situation. However, this risk is mitigated to major extent as the price with its majority of customers is based on the London Metal Exchange (LME) index adjusted to ongoing commodity prices on a monthly basis.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Criteria of 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

SAPL liquidity remains adequate as evidenced by the company's working capital utilization which stood at an average of ~ 80.00% against sanctioned limits for the last 12-month period ended March 2025. The company would be able earn a comfortable level of Gross Cash Accruals (GCA) vis a vis repayment. Cash & Bank Balances as on 31st March 2024 stood at Rs. 4.01 Crore. Current Ratio for the company stood at 1.24x as on 31st March 2024.

About the Company

SAPL was incorporated on September 2006 by Mr. Anil Kanodia. The company is into processing and manufacturing of auto-grade aluminium ingots and molten aluminium. The company commenced commercial operations in 2011 with an initial production capacity of 15,000 MT, which has now expanded to 61,420 MT.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	429.53	615.61
EBITDA	29.38	28.93
PAT	14.62	4.56
Total Debt	128.41	228.45
Tangible Net Worth	71.52	77.53
EBITDA Margin (%)	6.84	4.70
PAT Margin (%)	3.40	0.74
Overall Gearing Ratio (x)	1.80	2.95
Interest Coverage (x)	3.24	1.55

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Press Release

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					-	-	-
1.	Term Loan	Long Term	26.72	IVR BBB/ Stable	-	-	-
2.	Working Capital Demand Loan	Long Term	15.00	IVR BBB/ Stable	-	-	-
3.	Cash Credit	Long Term	190.00*	IVR BBB/ Stable	-	-	-
4.	Letter of Credit	Short Term	46.00	IVR A3+	-	-	-

**Includes Proposed Working Capital Limit of Rs. 25.00 crore*

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About Infomerics:

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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	-	-	-	Upto January 2030	26.72	IVR BBB/ Stable
Working Capital Demand Loan	-	-	-	-	15.00	IVR BBB/ Stable
Cash Credit	-	-	-	-	165.00	IVR BBB/ Stable
Proposed Working Capital Limit	-	-	-	-	25.00	IVR BBB/ Stable
Letter of Credit	-	-	-	-	46.00	IVR A3+

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-sumridhi-apr25.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.