**Press Release**

**Alstrong Enterprises India Pvt. Ltd.**

**July 22, 2019**

**Ratings**

| Sl. No. | Instrument/Facility | Amount (Rs. Crores) | Rating Assigned | Rating Action |
|---|---|---|---|---|
| 1. | Long Term Fund Based Limits - Cash Credit | 100.00 (including proposed limits of Rs. 50.00 crore) | IVR BBB/Rating Under watch with developing implication (IVR Triple B/Rating Under watch with developing implication) | Rating Under watch with developing implication |
| 2 | Short Term Non-Fund Based Facilities - LC/BG/Buyer's Credit/Credit Exposure Limit | 50.00 (including proposed limits of Rs. 1.00 crore) | IVR A3+/Rating Under watch with developing implication (IVR A Three Plus/Rating Under watch with developing implication) | |
| | **Total** | **150.00** | | |

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The rating derives strength from established relationship with clients, healthy profitability margins, strong capital structure and strong debt protection. The rating however is constrained by modest improvement in scale of operations with stability in margins, exposure to volatility in raw material prices and foreign exchange fluctuations, working capital intensive operation, exposure to intense competition, default in group companies. Stability in Margins with growth in scale of operations, input price volatility and the consequential profitability, improvement in Working Capital Management and stability in gearing ratio are the key rating sensitivities. The rating is under watch with developing implications on account of irregularity in the conduct of banking accounts of group companies.

**List of key rating drivers with detailed description**

**Key Rating Strengths**

**Established relationship with clients**

The Company has well diversified customers, since top 10 customers contribute only ~7% of sales and has long term contacts with reputed players and good relationship with clients has resulted in extending the contracts. The company has a vast network consisting of more than 300 dealers and distributors across India. These dealers have access to more than 10,000 retailers and fabricators. The Company has 20 distribution centers at all major locations in India which act as supply hubs for the dealers. Further, the company has diversified its network in the export market as well.

**Healthy profitability margins**

Though the profitability margins of the company have moderated due to increase in raw material cost, they continue to be healthy with EBITDA margin and PAT margin at 9.53% and 2.11% respectively in FY19.

**Strong capital structure and strong debt protection**

Overall gearing and TOL to TNW are at comfortable level, 0.43 times and 3.12 times respectively in FY19. Debt protection metrics are strong marked by comfortable ISCR at 1.7x.

**Key Weaknesses**

**Modest improvement in scale of operations with stability in margins**

The revenue from operations of the Company has increased marginally by 15.06 per cent from Rs. 246.80 Crs in FY17 to Rs. 283.97 Crs in FY19. However, EBITDA and PAT margins are in the range of 9-15% and 2-6% respectively.

**Exposure to volatility in raw material prices and foreign exchange fluctuations**

Primary raw material for manufacturing process is Aluminium Coil and Plastic Granules. ~60% of the raw material requirement is imported. The Company is exposed to volatility in margins due to change in raw material prices. However, the company purchases raw material in bulk quantities in advance in order to mitigate the raw material price volatility to some extent.

**Working capital intensive operation**

The company requires large working capital for holding of inventory and funding of receivables. The same is required for smooth manufacturing process. However, as the company works on order backed processing, risk of open inventory is nil.

**Exposure to intense competition**

The Company faces competition from both, large organized players as well as the unorganized market. However, the company has created world class infrastructure at the plant and has created niche product offerings which no other player has in the country. Further, it has worked extensively on the quality of the products. Repeat customers and consistent customer addition has been the reason for consistent volume growth in the company. This covers the risk of competition to a large extent.

**Default in group companies**

Alstrong Enterprises India Private Limited is a part of World Window Group. In 2018, the credit facilities of three companies of the group had been withheld by the banks resulting in LC devolvement and consequent irregularity in conduct of the accounts. However, AEIPL is insulated from other companies in the group on account of the presence of professional management and lack of operational linkages.

**Analytical Approach & Applicable Criteria**

Standalone

Rating Methodology for manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity**

The company is earning a healthy level of GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. This is coupled with current ratio greater than unity. However, the average utilisation of working capital limits is high at 97%. The healthy level of GCA in absence of minimal term debt repayments leads to adequate liquidity conditions

**About the Company**

Alstrong Enterprises India Private Limited (AEIPL) was initially incorporated as a partnership firm in 2006 and later converted into a private limited company in September 2011. The Company is engaged in manufacturing of Aluminium Composite Panels (ACP) and Wall Panels. The operations of the Company are run through its plant in J&K (Samba and Baribrahmna). Alstrong is a part of the Worlds Window Group, an assemblage of companies engaged in diverse businesses. The portfolio of business activities includes manufacturing, infrastructure, logistics, trading and mining. The operations of various companies of WWG are spread across the globe through its offices in India and 22 other countries. The group employs 2500 employees across the world and has a turnover of Rs. 4,500 crores (US$ 725 Million).

**Financials (Standalone)** **(Rs. crores)**

| For the year ended* / As On | 31-03-2018 (Audited) | 31-03-2019 (Provisional) |
|---|---|---|
| Total Operating Income | 278.63 | 283.97 |
| EBITDA | 37.88 | 27.05 |
| PAT | 17.88 | 6.03 |
| Total Debt | 59.06 | 56.11 |
| Tangible Net worth | 133.23 | 131.31 |
| EBITDA Margin (%) | 13.60 | 9.53 |
| PAT Margin (%) | 6.42 | 2.11 |
| Overall Gearing Ratio (x) | 0.44 | 0.43 |

*Classification as per Infomerics' standards

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

**Any other information:** N.A

**Rating History for last three years:**

| Sl. No. | Name of Instrument/ Facilities | Current Rating (Year 2019-20) | | | Rating History for the past 3 years Date(s) & Rating(s) assigned | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | FY2018-19 | FY2017-18 | FY2016-17 |
| 1. | Long Term Fund Based Limits - Cash Credit | Long Term | 100.00 (including proposed limits of Rs. 50.00 crore) | IVR BBB/Rating Under watch with developing implication | IVR BBB/Stable Outlook (INC) (March 28, 2019)* | IVR A-/Stable Outlook (March 08, 2018)# | -- |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2. | Short Term Non-Fund Based Facilities - LC/BG/Buyer's Credit/Credit Exposure Limit | Short Term | 50.00 (including proposed limits of Rs. 1.00 crore) | IVR A3+/Rating Under watch with developing implication | IVR A3+ (INC) (March 28, 2019)* | IVR A2+ (March 08, 2018)# | -- |

*Issuer did not cooperate; based on best available information
# Rating based on Group approach

**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.

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Nikhil Basutkar

Tel: (022) 62396023

Email:nbasutkar@infomerics.com

Name: Dr. Sarnambar Roy

Tel: (022) 62396023

Email:sroy@infomerics.com

**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 varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Annexure 1: Details of Facilities**

| **Name of Facility** | **Date of Issuance** | **Coupon Rate/ IRR** | **Maturity Date** | **Size of Facility (Rs. Crore)** | **Rating Assigned/ Outlook** |
|---|---|---|---|---|---|
| Long Term Fund Based Limits - Cash Credit | -- | 1 Year MCLR+2.75% & 1 Year MCLR+3.55% | Revolving in nature | 100.00 | IVR BBB/Rating Under watch with developing implication |
| Short Term Non-Fund Based | -- | -- | Not exceeding 360 days | 50.00 | IVR A3+/Rating Under watch with developing implication |