

Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' for the long-term Bank Loan Facilities aggregating ₹ 13.35 Cr for Aishloni Copper Alloys Pvt. Ltd.

Brickwork Ratings (BWR) has *reaffirmed* the **Rating**¹ of 'BWR BB' (BWR Double B) with a **Stable Outlook** for long term Bank Credit facilities of ₹ 13.35 Cr and has *withdrawn* the rating of 'BWR A4' (BWR A Four) for Short term Bank Credit facilities of ₹ 3.5 Cr for 'Aishloni Copper Alloys Pvt. Ltd.' ("ACAPL" or "the Company"), since the facility is no longer available.

The rating continues to factor in the promoter's long standing experience in the copper related business, established relationship with reputed clients, access to cheap power and fiscal incentives given by the government in the form of sales tax exemptions and income tax rebate all of which support profitability. The rating also factors in healthy demand outlook for copper products on account of growth in demand from key user segments.

The rating continues to remain constrained on account of current small scale of operations with limited extent of value addition leading to lower profitability, high working capital borrowing utilization. The rating is also constrained by vulnerability to demand fluctuations due to cyclical nature of its key consuming industries and limited pricing flexibility due fragmented nature of the industry.

Background

Established in 2000, ACAPL was initially engaged in trading of copper & copper alloys and textiles products. In 2004, ACAPL started undertaking job work for manufacturing of copper & copper alloys pipes, tubes, bars and rods with an installed capacity of 800TPA at rented premises in Silvassa. ACAPL in 2008 has setup another production unit at AMLI, Silvassa, to increase the capacity from 800TPA to 1600TPA. The total installed capacity is now entirely being used for own production with a capacity utilization rate of 75%.

Financial Performance

Operating Income (OI) grew by 31% to Rs.83.98 Cr in FY13. However on account of stiff competition, the Company was not able to pass on the prices to full extent to the customers, resulting in lower operating profit margin. The operating profit margin declined from 4.89% in FY12 to 2.74% in FY13. In line with lower operating profit margin, Profit after Tax (PAT) also declined to Rs0.23 Cr from Rs1 Cr in FY12. Adjusted gearing stands comfortable at 0.9x. On account of lower operating profit, Interest service coverage ratio deteriorated to 1.45x in FY13 from 2.3x in FY12. DSCR continues to remain low in FY13.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile

ACAPL is promoted by Mr. Sunil Mardia who has over two decades of experience in the industry. All the directors are well qualified and are involved in strategic growth and vision for the Company.

Rating Outlook:

Going forward scaling up of the business with rise in revenues and improving the profitability and effective management of working capital remain the key rating sensitivities.

| | |
|--|--|
| Analyst Contact | Relationship Contact |
| analyst@brickworkratings.com | bd@brickworkratings.com |
| Phone | Media Contact |
| 1-860-425-2742 | media@brickworkratings.com |

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.