

Alchaw Metprint India Limited

March 09, 2022

Ratings

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|---|--|--|
| Long Term Bank Facilities | 4.66 | CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*) | Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 4.00 | CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) | Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category |
| Total Facilities | 8.66 (Rs. Eight Crore and Sixty-Six Lakhs Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Alchaw Metprint India Limited (AMPL) to monitor the rating(s) vide e-mail communications dated January 11, 2022, January 14, 2022 and February 10, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Alchaw Metprint India Limited's bank facilities will now be denoted as **CARE BB-/CARE A4; ISSUER NOT COOPERATING***.

The revision in ratings factors in non-cooperation by AMPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on February 15, 2021, the following were the rating strengths and weaknesses:

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations and profitability: The scale of operations of AMIL remained moderate as marked by Total Operating Income (TOI) of Rs.33.77 crore during FY20 as against Rs.32.12 crore during FY19. TOI of FY20 also includes Rs.1.93 crore (Rs.1.69 crore in FY19) generated through job work income from manufacturing of aluminium containers for Hindalco Industries Limited (HIL). AMIL has entered into an agreement with HIL since December, 2015 for a period of one year which gets renewed on a yearly basis. The profitability of AMIL also continued to remain moderate as marked by PBILDT margin of 6.75% during FY20 as against 6.91% during FY19. The marginal deterioration in PBILDT margin is owing to increase in employee costs during FY20. During FY20, the PAT margin remained moderate at 2.07% as compared to 1.70% during FY19.

Susceptibility of profit margins to fluctuations in raw material prices: The key raw material used by AMIL is aluminium coils, the prices of which are driven primarily by the existing demand and supply conditions with strong linkage to the global market and cyclical nature of the industry. This results into risk of price fluctuations on the inventory of raw materials as well as finished goods, thus affecting the profit margins.

Presence in the highly fragmented and competitive metal printing industry: Indian metal printing industry is characterized as fragmented and competitive with very little differentiation in terms of product profile. AMIL faces direct competition from various organized and unorganized players in the market. There are number of small and regional players who are located in and around area and catering to the same market which limits the bargaining power of the company. This coupled with AMIL being a small player in the industry makes it difficult for the company to have pricing flexibility.

Key Rating Strengths

Successful completion of debt-funded expansion capex during February, 2021 AMIL has successfully completed its debt funded capex for expansion of product line for manufacturing of printed aluminium sheets as well as aluminium foil containers. The total cost of the project remained at Rs.3.30 crore as against earlier envisaged at Rs.1.60 crore, as additionally AMIL also expended for manufacturing of printed aluminium sheets along with earlier envisaged capex for manufacturing aluminium foil containers. The project was funded via debt-equity mix of 1.87 times. The project for manufacturing aluminium foil container

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

commercialized from September, 2020 while the project for manufacturing printed aluminium sheets commercialized from February, 2021.

Comfortable capital structure: The capital structure of the company continued to remain comfortable as marked by an overall gearing of 0.91 times as on March 31, 2020 as against 0.87 times as on March 31, 2019, the marginal deterioration in the overall gearing ratio is due to increase in the total debt level led by availment of channel finance facility from October, 2019 onwards. Tangible net worth as on March 31, 2020 remained at Rs.5.30 crore. Comfortable debt coverage indicators The debt coverage indicators of AMIL continued to remain comfortable as marked by TDGCA of 3.25 years as on March 31, 2020 as compared to 2.70 years as on March 31, 2019 due to increase in the total debt level. The interest coverage ratio also continued to remain comfortable at 4.50 times during FY20 in line with 4.53 times during FY19.

Vast experience of the management in printing business: The promoters of the company have vast experience in the aluminium printing industry since last 15 years through its associate concern, Perfect Industries. Mr. Raja Rajendra Singh Chawla, Director, looks after the overall affairs of AMIL and is assisted by his wife Mrs. Manjeet Kaur Chawala and son Mr. Ankit Chawla in managing the overall affairs. Being present in the industry since a long time, the promoters have established long-standing relationship with its key clients. The company has developed the expertise in timely execution of orders which is one of the key differentiators in printing industry that has helped the company in retaining its existing clients and adding new clients.

Impact of COVID-19 on business operations of AMIL: AMIL is into manufacturing of printed aluminium sheets and aluminium containers. Being into the production of nonessential goods, AMIL faced decline in the demand during Q1FY21. Also, the operations were halted from March 22, 2020 to April 30, 2020, due to nation-wide lockdown owing to COVID-19 pandemic. After resumption of operations from May 01, 2020, the company was operating with 80% of labour availability. However, from July, 2020 onwards, AMIL has been operating at full labour availability and has been receiving orders from its customers on a regular basis.

Liquidity: Adequate Liquidity position of AMIL remained adequate as marked by moderate GCA level of Rs.1.48 crore during FY20 to suffice principal debt repayments of Rs.0.57 crore arising in FY21. The operating cycle of the company also continued to remain moderate at 43 days during FY20 from 33 days during FY19, due to decline in average creditors' period. Further, the current ratio remained moderate at 1.22 times as on March 31, 2020. However, the average working capital limits utilization remained high at around 90% during past twelve months period ended January, 2021, while the cash and bank balance remained low at Rs.0.10 crore as on March 31, 2020. Net cash flow from operating activities remained modest at Rs.0.73 crore during FY20. AMIL has not availed moratorium for term loan and cash credit facility under COVID-19 relief measures. However, it has availed Guaranteed Emergency Credit Line Scheme (GECL) of Rs.0.51 Crore, which is fully disbursed.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Ahmednagar (Maharashtra) based Alchaw Metprint India Limited (AMIL) was promoted by Mr. Raja Rajendra Singh Chawla in January, 2014 as closely held limited company. AMIL is engaged into manufacturing of printed aluminium sheets, ROPP (Roll on Pilfer Proof) caps, vial seals and Aluminium Foil containers which largely cater to the demand of liquor industry and pharmaceutical companies as vials caps and liquor bottles caps. AMIL operates from its manufacturing facilities located at Sangamner, Maharashtra with an installed capacity of 2700 Metric Tonnes Per Annum (MTPA) of aluminium sheets and 260 tons per month of aluminium foil containers as on February, 2021.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) | FY21(A) |
|------------------------------|----------|----------|---------|
| Total operating income | 32.12 | 33.77 | NA |
| PBILDT | 2.22 | 2.28 | NA |
| PAT | 0.55 | 0.70 | NA |
| Overall gearing (times) | 0.87 | 0.91 | NA |
| Interest coverage (times) | 4.53 | 4.50 | NA |

A: Audited; NA = Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 2.75 | CARE BB-; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 1.00 | CARE A4; ISSUER NOT COOPERATING* |
| Fund-based - ST-Vendor financing | | - | - | - | 3.00 | CARE A4; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | June-2024 | 1.40 | CARE BB-; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Working capital Term Loan | | - | - | - | 0.51 | CARE BB-; Stable; ISSUER NOT COOPERATING* |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|---|-----------------|--------------------------------|--|---|---|--|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1 | Fund-based - LT-Cash Credit | LT | 2.75 | CARE BB-; Stable; ISSUER NOT COOPERATING * | - | 1)CARE BB; Stable (15-Feb-21) | 1)CARE BB; Stable (04-Feb-20) 2)CARE BB; Stable (02-Apr-19) | - |
| 2 | Non-fund-based - ST-Bank Guarantee | ST | 1.00 | CARE A4; ISSUER NOT COOPERATING * | - | 1)CARE A4+ (15-Feb-21) | 1)CARE A4+ (04-Feb-20) 2)CARE A4+ (02-Apr-19) | - |
| 3 | Fund-based - LT-Term Loan | LT | - | - | - | - | 1)Withdrawn (04-Feb-20) 2)CARE BB; Stable (02-Apr-19) | - |
| 4 | Fund-based - ST-Vendor financing | ST | 3.00 | CARE A4; ISSUER NOT COOPERATING * | - | 1)CARE A4+ (15-Feb-21) | - | - |
| 5 | Fund-based - LT-Term Loan | LT | 1.40 | CARE BB-; Stable; ISSUER NOT COOPERATING * | - | 1)CARE BB; Stable (15-Feb-21) | - | - |
| 6 | Fund-based - LT-Working capital Term Loan | LT | 0.51 | CARE BB-; Stable; ISSUER NOT COOPERATING * | - | 1)CARE BB; Stable (15-Feb-21) | - | - |

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not available

Annexure 4: Complexity level of various instruments rated for this company

| Sr. No | Name of instrument | Complexity level |
|--------|---|------------------|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - LT-Working capital Term Loan | Simple |
| 4 | Fund-based - ST-Vendor financing | Simple |
| 5 | Non-fund-based - ST-Bank Guarantee | Simple |

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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