Alpha Maier Private Limited

September 6, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	0.08 (Reduced from 3.00)	CARE BB+; Stable / CARE A4+	Revised from CARE A4+*
Long Term Bank Facilities	-	-	Withdrawn
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.
*Reclassification of bank facilities from Short Term to Long Term / Short Term.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Alpha Maier Private Limited (AMP) continue to remain constrained by modest scale of operations along with the declining profitability margins over the past 3 fiscals ending FY24 (refers to the period from April 01 to March 31) and foreign exchange fluctuation risk. Further, the ratings continue to remain constrained by risk associated with its susceptibility of margins to volatility in raw material prices, cyclicality associated with the auto component industry and its presence in a highly competitive auto component industry.
The ratings, however, continue to draw comfort from long standing experience of promoters and management along with AMP's association with reputed customer base, albeit customer concentration risk, moderate financial risk profile as marked by comfortable capital structure and satisfactory debt coverage indicators and timely realization of payment from its customers owing to long standing association with OEMs.
CARE Ratings Ltd. has withdrawn the outstanding ratings assigned to the Cash Credit facility, Post Shipment Foreign Credit/Packing Credit Foreign Credit facility and term loan facility of Alpha Maier Private Limited with immediate effect, as the company has surrendered the aforementioned bank facilities rated by us and there is no amount outstanding under the said facility as on date. The above action has been taken at the request of Alpha Maier Private Limited and 'No Dues Certificate' received from the bank that has extended the facilities rated by CARE Ratings Ltd.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in the scale of operations as marked by total operating income of above Rs.130.00 crore on a sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margin above 8.00% and 3.00% respectively.
- Improvement in debt coverage indicators as marked by interest coverage ratio of above 7.00x.

Negative factors

- Deterioration in the capital structure as marked by overall gearing ratio of above 1.00x.
- Elongation in the operating cycle of the company beyond 60 days thereby, leading to weakening of liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Ltd. has revised the outlook from 'Positive' to 'Stable' considering the company's inability to maintain steady growth in its scale of operations and decline in AMP's profitability margins thereby, impacting the debt coverage indicators of the company.

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

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations: AMP's scale of operations continues to remain modest wherein it has reported total operating income (TOI) of Rs.116.49 crore and gross cash accruals (GCA) of Rs.6.41 crore respectively, during FY24 (FY refers to the period April 1 to March 31; based on provisional results) (PY: Rs.125.22 crore and Rs.7.22 crore respectively). The decline in TOI is on the back of decline in volume sales particularly from the exports market on account of subdued demand from European markets related to chrome plating/electroplating products due to its related environmental concerns. Nevertheless, the modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved total operating income of ~Rs.41.00 crore during 4MFY25 (refers to the period from April 1, 2024 to July 31, 2024; based on provisional results) and is expected to achieve a turnover of ~Rs.130.00 crore for FY25 on account of improvement in demand wherein industry is poised to sustain its sales momentum due to strong demand for new model launches, improving penetration of electric cars volume in PV segment and SUVs coupled with expectations of interest rate cut in second half of FY25. Thus, the PV industry is likely to witness moderate volume growth of around 3-5% in FY25.

Declining profitability margins: The profitability margins of the company as marked by PBILDT margin remained declining from the past three fiscals ending FY24 owing to limited bargaining power with OEMs. PBILDT margin of the company declined and stood at 4.48% in FY24 as against 6.32% in FY23 on the back of proportionate increase in overhead expenses such as employee cost, freight cost, etc. as compared to its scale of operations which, the company was unable to pass on to its customers completely. Further, PAT margin also declined and stood at 1.39% in FY24 backed by declined PBILDT levels. Going forward, the PBILDT margin is expected to remain rangebound between 5%-6%.

Foreign exchange fluctuation risk: The profitability margins of AMP are exposed to foreign exchange fluctuation risk since, the business operations of AMP involve both exports and imports resulting in sales realization and cash outflow in foreign currency. The company exports its product in overseas market through its group company from whom payments are received in Euros. The export contribution to total sales stood around 11% in FY24 (P.Y.: 16%). The import procurement to material cost stood at around 2% for FY24, thereby exposing AMP to the fluctuation in foreign exchange rates. Though, the foreign exchange fluctuation risk is partially mitigated through a natural hedge, however, in absence of any hedging policies adopted by the company, AMP's operating margins and cash accruals remains vulnerable to the adverse fluctuation in exchange rates. Further, the company has recorded minimal gain of Rs.0.03 crore in FY24 as against Rs.0.40 crore in FY23.

Susceptibility of margins to volatility in raw material prices: AMP operates in an industry wherein the raw material cost is one of the major cost drivers and hence, any sharp volatility in raw material prices may negatively impact the company's profitability. Polypropylene granules & other plastic parts, paints, thinners, etc. are the key raw materials required for manufacturing of automotive components and it has experienced immense volatility in the past couple of years. The company does not enter into any long-term agreement for procurement of these raw materials and sources its raw material on requirement basis from the domestic market at prevailing market prices. Since the basic raw materials are petrochemical derivatives, AMP is exposed to the risk of volatility in the prices of crude oil/natural gas. Thus, margins are vulnerable to fluctuation in raw material cost. However, the company has a mechanism wherein any revision in the raw material prices is reset by the OEMs based on last billing. AMP lodges the claim with OEMs and after negotiations, the change in prices is compensated by OEMs with a lag of one quarter. However, for the residual portion, the company remains exposed to any adverse movements in input prices, which it may not be able to pass on to the customers completely, may adversely affect the profitability margins of the company, thereby remains the key monitorable.

Cyclicality associated with the automotive industry: The fortunes of AMP are mainly dependent on automotive industry which is cyclical in nature and automotive component suppliers' performance are directly linked to the sales of auto OEMs and in-turn exposed to cyclical demand patterns inherent to the automobile industry and ability of the OEMs to sustain their operating performance. In FY24, following the geopolitical tensions across key export markets led to subdued demand and it also hindered the export sales of AMP as reflected from its scale of operations for FY24. On the contrary, the domestic automobile industry has witnessed growth, backed by new launches by OEMs across segments, improved consumer sentiments aided by increased infrastructure spends by the government, healthy replacement demand, last-mile connectivity demand propelling e-commerce, increased industrial activity and the benefits of commodity price correction. Since, the company is primarily dealing with the OEMs in the domestic market with no addition in its domestic customer base, the same led to decline in its scale of operations in FY24. Further, as of now export markets are yet to completely recover from the ongoing global tensions and due to recently concluded general elections, the industry witnessed slight moderation in Q1FY25 and is expected to pick up its pace in the later quarters of FY25.

Presence in a highly competitive automotive industry: AMP operates in a highly competitive industry wherein there is presence of a large number of players in the organized as well as unorganized sectors. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. Furthermore, the auto component industry is largely unorganized in structure, consisting of around 45-50% of the overall industry size. While the organized segment primarily caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

Key strengths

Long standing experience of promoters and management: AMP business risk profile is benefitted from joint venture partners between Mondragon Corporation (through Maier S. Coop.) and UM Group. AMP is primarily being managed by Mr. Prem Kumar Pardasani (Chief Executive Officer of the company) and Mr. Ashutosh Sharma. Both of them holds experience of around two decades in automotive and engineering sector through their association with the group. The promoters have adequate acumen about various aspects of business which is likely to benefit the company in the long run. Furthermore, the promoters are assisted by other experienced directors and a team of qualified managerial personnel and technical team having considerable experience in their respective fields. This long-standing experience and expertise in the industry has enabled them to establish good relationship with its customers over the years which has enabled it to garner repeat orders.

Reputed customer base, albeit customer concentration risk: AMP's business risk profile continues to be supported by healthy association developed with various reputed OEM's, viz., Maruti Suzuki India Limited [rated 'CRISIL AAA; Stable/A1+], Suzuki Motor Gujarat Private Limited [rated 'CARE AAA; Stable/ A1+], Renault Nissan Automotive India Private Limited, Pricol Limited [rated 'CRISIL A; Stable], NTF (India) Private Limited [rated 'ICRA BBB+; Stable/ A2], etc. Reputed client base ensures timely realization of receivables. Though, the sales appear to be concentrated as these OEMs/ Tier-I suppliers contributes majority of the total sales of the company with top six customers' accounts for nearly 88% of sales in FY24 (P.Y: 94%). This exposes the company towards customer concentration risk which may impact AMP's revenue growth and profitability to its customer's future growth plans. However, the risk is mitigated considering these OEMs hold majority of the share in the domestic market and company has been able to leverage upon the long-standing relationship with these OEMs due to its design/engineering capabilities, timely deliverables and adherence to stringent quality standards.

Comfortable capital structure and satisfactory debt coverage indicators: The company has low reliance on bank borrowings to meet its day to day operations owing to conservative approach of the promoters towards external debt and high reliance on internal funds which results in lower utilization of debt and high net worth base providing liquidity support to the company. The capital structure of the company stood comfortable as marked by overall gearing ratio which stood at 0.07x as on March 31, 2024 showing marginal improvement from 0.08x as on March 31, 2023 mainly on account of repayment of loans. Further, the capital structure is expected to remain comfortable at below unity level as envisage in the near to medium term on account of limited debt levels coupled with comfortable tangible net worth, strengthening the capital structure of the company.
Further, the debt coverage indicators of the company continue to remain satisfactory as marked by interest coverage ratio and total debt of GCA at 6.33x and 0.40x respectively, in FY24 (P.Y.: 10.11x and 0.43x respectively). The decline in profitability margins has impacted the interest coverage ratio.

Comfortable working capital cycle: The operations of the company continue to remain comfortable as marked by operating cycle of 30 days for FY24 (P.Y.: 22 days). The same is supported by its better bargaining power with its domestic suppliers and timely realization of payment from its customers, wherein domestic OEMs forms the major part owing to long standing association with them. Thus, it has moderate inventory holding and collection period which stood at 43 days and 43 days respectively, in FY24. The average utilization of its working capital limits remained almost less than 5% for past 12 months period ending May, 2024.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.6.41 crore during FY24 and is expected to generate envisage NCA of Rs.7.59 crore for FY25 against scheduled repayment obligations of Rs.0.82 crore in same year. Further, the average utilization of its working capital stood less than 5% for the past 12 month's period ending May, 2024. The company's liquidity profile is supported by comfortable unencumbered cash and bank balances which stood at Rs.4.86 crore as on crore as on March 31, 2024 and positive cash flow from operations. Further, the company does not have any significant capex plan in the near term.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Alpha Maier Private Limited (AMP) (erstwhile known as Alpha UM Autocomp Limited) was incorporated in May, 2010. The company commenced its commercial productions from August, 2011. The operations of the company are currently being managed by Mr. Prem Kumar Pardasani and Mr. Ashutosh Sharma. AMP is engaged in the manufacturing of automobile parts and accessories such as wheel covers, hub caps, scuffs, doors panels, etc. Moreover, the company is also engaged in the manufacturing of IP parts, emblems and other interior & exterior functional & decorative plastic parts, painted parts which finds usage in automobiles. The company has two manufacturing facilities located at Gurugram, Haryana and Sanand, Gujarat. Additionally, the company is also engaged in the manufacturing of chrome plating/electroplating products which also finds its application in automobiles. The company caters to different Original Equipment Manufacturers (OEM's) and Tier-I suppliers in the domestic market as well as in the export market.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	4MFY25 (Prov.)*
Total operating income	125.22	116.49	41.00
PBILDT	7.91	5.22	NA
PAT	2.71	1.62	NA
Overall gearing (times)	0.08	0.07	NA
Interest coverage (times)	10.11	6.33	NA

A: Audited; Prov.: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'
*refers to the period from April 1, 2024 to July 31, 2024.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	July, 2024	0.00	Withdrawn
Fund-based-Short Term		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.08	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Positive (24-Aug-23)	1)CARE BB+; Positive (04-Aug-22)	1)CARE BB+; Stable (01-Sep-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Positive (24-Aug-23)	1)CARE BB+; Positive (04-Aug-22)	1)CARE BB+; Stable (01-Sep-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.08	CARE BB+; Stable / CARE A4+	-	1)CARE A4+ (24-Aug-23)	1)CARE A4+ (04-Aug-22)	1)CARE A4+ (01-Sep-21)
4	Fund-based-Short Term	ST	-	-	-	1)CARE A4+ (24-Aug-23)	1)CARE A4+ (04-Aug-22)	1)CARE A4+ (01-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based-Short Term	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Name: Sajan Goyal Director **CARE Ratings Limited** Phone: +91- 120-445 2017 E-mail: sajan.goyal@careedge.in Name: Sachin Mathur Associate Director **CARE Ratings Limited** Phone: +91- 120-445 2054 E-mail: sachin.mathur@careedge.in Name: Aashu Singh Lead Analyst **CARE Ratings Limited** E-mail: aashu.singh@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in