

## Atlantis Aluminium LLP

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.60	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	10.00	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Atlantis Aluminium LLP (AAL) continue to remain constrained on account of moderate scale of operations, moderate albeit improved profitability margins and moderate leveraged capital structure and moderate debt coverage indicators. The ratings, further, continue to remain constrained on account of AAL's presence in competitive & fragmented aluminium industry and susceptibility of its profit margins to fluctuation in raw material prices. The ratings, however, derives strength from vast experience of partners in the same line of business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations marked by Total Operating Income (TOI) exceeding Rs.75 crore on a sustained basis while reporting PBILDT margin of 6% or more on a sustained basis
- Improvement in capital structure marked by overall gearing reaching below 1.2x on sustained basis.

#### Negative factors

- Significant decrease in scale of operations leading deterioration in PBILDT margin below 3% on a sustained basis
- Deterioration in capital structure with interest coverage reaching below 1.75x on a sustained basis
- Elongation of operating cycle exceeding 90 days leading to deterioration in the liquidity position on a sustained basis
- Significant withdrawals from partner's capital

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

#### Key weaknesses

##### Stagnancy in scale of operation, although improvement in profitability.

During FY24, AAL's TOI slightly decreased by 4% from Rs.63.47 crore in FY23 to Rs.61.17 crore in FY24 owing to a decrease in quantity sold during the year on account of plant maintenance for its furnace was carried out which led to lower production during the year. The quantity sold has been reduced by 7.33% to 2780 metric tonnes (MT) in FY24 from 3000 MT in FY23. During 3MFY25 AAL has booked TOI of Rs. 19.87 crore. The firm expects its revenue to increase in the near to medium term on the back of ongoing capex for capacity enhancement along with stable demand from end user industries.

The PBILDT margin has improved from 3.38% in FY23 to 4.62% in FY24 owing to a decrease in employee costs and other expenses during the year. Further, the increase in the sales realization from Rs.2,11,567 per MT in FY23 to Rs.2,20,036 per MT also aided in an improvement in profit margins. PAT margin has also improved marginally in lines with PBILDT margin from 0.91% in FY23 to 1.34% in FY24.

##### Improvement in capital structure and improved but moderate debt coverage indicator

Although, AAL's overall gearing slightly improved on y-o-y basis, it continued to remain moderately leveraged at 1.49 times as on March 31, 2024 (compared to 1.61 times as on March 31, 2023). The improvement in gearing is due to the reduction in total debt and increase in tangible network base.

The debt coverage indicators improved with total debt to GCA and PBILDT interest coverage ratio at 5.35x and 2.70x in FY24 compared to 7.05x and 2.62x in FY23. The same improved owing to the reduction in total debt coupled with increased profitability during the year. The capital structure likely to remain moderately leveraged and the debt coverage indicators to remain moderate in the near to medium term on account of ongoing debt funded capex undertaken for capacity enhancement.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Moderately concentrated customer and supplier base**

AAL shares healthy relationship with its clients owing to long track record in the industry. However, the customer base is moderately concentrated with top 10 customers contributed around 54.65% of its total revenue in FY24. AAL over the years have built relations with suppliers as well, therefore having uninterrupted supply of raw materials. However, the supplier base is concentrated with top 10 suppliers contributed around 82.92% of its total purchases in FY24.

### **Project execution and stabilization risk associated with capacity enhancements**

The firm is in the process of installing an additional production line to enhance its production capacity by 1100 metric tonnes with total capex size of Rs.5.06 crore. The said expenditure is being funded through a term loan of Rs. 3.60 crore and the remaining funds will be invested by the partners. The firm has already ordered the same and expects its delivery by the end of Q4FY25. Till date the firm has incurred a minimal amount of expenditure towards the same while the term debt is already sanctioned. Hence, the ability of the firm to complete the capex within timeline and subsequently stabilize the operations remains key monitorable.

### **Constitution of the entity being a partnership firm**

AAL constitution being a limited liability partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of partner. Moreover, partnership firms have restricted access to external borrowing which limits their growth opportunities to some extent.

### **Presence in the highly competitive and fragmented industry**

The aluminium industry is highly fragmented and unorganized in nature thereby putting pressure on profitability margins. Further, due to low entry barriers the competition gets intensified, which might put pressure on profitability of the existing as well as new players. Furthermore, due to the fragmented nature of the industry, bargaining power of AAL with customers is also restricted as reflected in small scale of operations as well as moderate profitability.

### **Susceptibility of operating margins to volatility in raw material prices**

The margins of AAL may fluctuate depending upon the prices of aluminium in commodity market. Further, the entity does not have any long-term contracts with the suppliers for the purchase of the same. Hence, the profitability margins of the entity could get adversely affected with any sudden spurt in the raw material prices and its inability to pass the same to customers.

### **Key strengths**

#### **Vast experience of partners in similar line of business**

AAL is promoted and managed by five partners namely Mr. Chatarlal Jankilal Shah, Mrs. Pravinaben Maheshbhai Patel, Mrs. Mallika Rakesh Patel, Mrs. Parulben Maheshbhai Patel & Mr. Shaileshkumar Kanaiyalal Patel having average experience of more than a decade in aluminium industry through its associate entities. All the partners are actively engaged with the operations of the firm.

#### **Liquidity: Stretched**

The liquidity position remained stretched marked by low free cash balance of Rs.0.02 crores as on March 31, 2024 (Prov.) vis-à-vis Rs.0.06 crore as on March 31, 2023. The average of maximum and average utilization of working capital limits (fund based) stood at 93.17% and 85.88% respectively for the last twelve months ended July 2024. Further, the current ratio and quick ratio stood at 1.18 times and 0.71 times respectively as on March 31, 2024 (Prov.) (as compared to 1.17 times and 0.79 times respectively as on March 31, 2023). The cash flow from operations stood positive at Rs.3.34 crore in FY24 (Prov.) (compared to negative at Rs. 1.41 crore in FY23).

### **Assumptions/Covenants: Not Applicable**

### **Environment, social, and governance (ESG) risks: Not Applicable**

### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

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### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

Mehsana-based (Gujarat) Atlantis Aluminium LLP (AAL) is a limited liability partnership incorporated since 2017 engaged into manufacturing of aluminium sections and profiles (primarily used in construction, automobiles and hardware industries). AAL works with an installed capacity of 4,800 Metric Tonnes per Annum (MTPA) as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1FY25 (UA)
Total operating income	63.47	61.17	19.87
PBILDT	2.15	2.83	NA
PAT	0.58	0.82	0.27
Overall gearing (times)	1.61	1.49	NA
Interest coverage (times)	2.62	2.70	NA

A: Audited; P: Provisional; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2028	3.60	CARE BB-; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	10.00	CARE BB-; Stable / CARE A4

**Annexure-2: Rating history for 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)Withdrawn (26-Dec-23)	1)CARE BB-; Stable (04-Oct-22)	1)CARE B+; Stable (02-Dec-21)
2	Fund-based - LT/ST-Cash Credit	LT/ST	10.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (26-Dec-23)	1)CARE BB-; Stable / CARE A4 (04-Oct-22)	1)CARE B+; Stable / CARE A4 (02-Dec-21)
3	Fund-based - LT-Term Loan	LT	3.60	CARE BB-; Stable				

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

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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