

January 12, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	15.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA single B minus**) to the Rs.15.00 crore bank facility of Prominent Metal Private Limited (PMPL). The outlook is '**Stable**'. The rating is primarily constrained by the company's weak financial profile and stretched liquidity position in an intensely competitive segment of the non-ferrous metals industry. The rating is further constrained by the company's low profit margins. However, the rating is supported by the company's experienced management.

PMPL, incorporated in 2014, is a Delhi-based company engaged in trading of aluminium ingots and rods. PMPL's weak financial profile is marked by high gearing (debt-equity ratio) of 5.34 times (provisional) as on March 31, 2014 and moderate interest coverage ratio of 1.29 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company's stretched liquidity position is evidenced by high utilisation (95 per cent) of cash credit limit during July 2014 to September 2014. PMPL faces intense competition from several players in the non-ferrous metals industry. The company's net profit margin is low at 0.46 per cent (provisional) in FY2013-14.

PMPL benefits from its experienced management. The directors of the company have around two decades of experience in the non-ferrous metals industry.

Outlook: Stable

SMERA believes PMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in profitability and cash accruals. The outlook may be revised to 'Negative' in case of significant decline in the company's revenues and cash accruals, or in case of stretch in the company's working capital cycle.

About the company

PMPL, incorporated in 2014, is a Delhi-based company promoted by Mr. Prem Chand Gupta and Mrs. Madhu Lata. PMPL is engaged in trading of aluminium ingots and rods. The company has a warehouse in Jhilmil Industrial Area, Delhi.

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For FY2013–14 (as per provisional financial statements), PMPL reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.8.41 crore. The company's net worth stood at Rs.2.56 crore (provisional) as on March 31, 2014.

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