



SMERA RATINGS LIMITED

Himachal Shots & Metals Private Limited (HSMPL)

*Rating
Rationale*

February 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.70	SMERA B-/Stable (Assigned)
Letter of Credit	4.20	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA single B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Himachal Shots & Metals Pvt. Ltd. (HSMPL). The outlook is '**Stable**'.

The ratings are constrained by the company's weak financial risk profile, small scale of operations and working capital intensive operations. However, the ratings are supported by the company's experienced management.

HSMPL, incorporated in 1990, is a Baddi-based company engaged in manufacturing of steel shots & ferrous castings.

HSMPL's weak financial risk profile is marked by high gearing (debt-Equity ratio) of 2.59 times as on March 31, 2014, moderate interest coverage ratio of 1.31 times in FY2013-14 and low profitability at operating (2.93% in FY2013-14) and net levels (0.07% in FY2013-14). Company has small-scale operations marked by revenues of Rs.13.06 crore in FY2013-14 (refers to financial year, April 01 to March 31). HSMPL faces intense competition from several players in the auto component manufacturing industry.

HSMPL has working capital intensive operations, with gross current assets (GCA) in the range of 150-170 days over the past three years. Owing to these high working capital requirements, the company's cash credit limit of Rs.2.70 cr has high at ~90% over the past 6 months ending Dec-14.

HSMPL benefits from its experienced management. The directors of the company have more than two decades of experience in the auto component manufacturing industry and the company has established long standing relationship with its key customers and suppliers.

Outlook: Stable

SMERA believes HSMPL 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 substantial growth in revenues while maintaining profitability. The outlook may be revised to 'Negative' in case of further deterioration in the company's financial risk profile or working capital management.

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About the Company

HSMPL, incorporated in 1990, is a Baddi-based company engaged in manufacturing of steel shots & ferrous castings. HSMPL has manufacturing units at Baddi, Himachal Pradesh.

For FY2013–14, HSMPL reported profit after tax (PAT) of Rs.0.01 crore on net sales of Rs.13.06 crore, as compared with PAT of Rs.0.03 crore on net sales of Rs.15.34 crore in FY2012–13. The company's net worth stood at Rs.1.14 crore as on March 31, 2014, as compared with Rs.1.13 crore a year earlier.

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