

April 26, 2016

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

SMERA has reaffirmed the long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) on the abovementioned bank facilities of Himachal Shots & Metals Private Limited (HSMPL). The outlook is '**Stable**'.

The ratings continue to reflect the company's weak financial risk profile marked by low net worth and profitability, high debt equity ratio and relatively small scale of operations. The ratings also continue to factor in the working capital intensive operations marked by high gross current asset days. However, the ratings are supported by the experienced management and reputed clientele.

Update

For FY2014-15, HSMPL reported profit after tax (PAT) of Rs.0.01 crore on revenues of Rs.15.29 crore, as compared with profit after tax (PAT) of Rs.0.01 crore on revenues of Rs.13.06 crore in FY2013-14. During FY2015-16, the company reported revenue of Rs.14.80 crore (provisional). The leverage stood at 2.80 times as on March 31, 2015. The company's total debt of Rs.3.21 crore (as on March 31, 2015) includes Rs.2.66 crore of short term facilities and interest-free unsecured loans of Rs.0.50 crore from promoters, family and friends. HSMPL has comfortable debt protection metrics with interest coverage ratio of 1.21 times in FY2014-15.

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 and group support. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while improving profitability and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its capital structure or working capital management.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Improvement in the capital structure
- Efficient working capital management

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About the Company

HSMPL, incorporated in 1990 by Mr. Vinod Aggarwal and Mrs. Urmil Aggarwal, is engaged in the manufacture of steel shots and ferrous castings that are widely used by Original Equipment Manufacturers (OEMs) in automobile, engineering and other industries. The company has manufacturing units at Baddi, Himachal Pradesh.

Contact List

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head, Emerging Corporate Tel: +91-22-6714 1151 Cell: +91 9892306888 Email: suman.m@smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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