



SMERA RATINGS LIMITED

Metal's & Metal Electric Private Limited

(MMEL)

Rating
Rationale

February 27, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.10.00 crore bank facility of Metal's & Metal Electric Private Limited (MMEL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial risk profile and stretched liquidity position. The rating is also constrained by the decline in the company's profit margins amidst intense competition in the electrical components industry. However, the rating derives comfort from the company's experienced management.

MMEL, incorporated in 1993, is a Chennai-based company engaged in trading of wires and cables. MMEL's weak financial risk profile is marked by high leverage (total outside liabilities to tangible net worth ratio) of 10.51 times as on March 31, 2014 and low interest coverage ratio of 1.32 times in FY2013-14 (refer to financial year, April 01 to March 31). The company's stretched liquidity position is reflected in high utilisation (~98 per cent) of cash credit limit during September 2014 to December 2014. MMEL's operating profit margin declined from 4.02 per cent in FY2011-12 to 3.21 per cent in FY2013-14. The company operates in an intensely competitive segment of the electrical components industry.

MMEL benefits from its experienced management. Mr. Kanthilal Jain and Mr. Gauthamchand Jain, directors of MMEL, have around two decades of experience in the electrical components industry.

Outlook: Stable

SMERA believes MMEL 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 improvement in financial risk profile and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's liquidity position and financial risk profile.

About the company

MMEL was established in 1988 as a partnership firm which was converted into a private limited company in 1993. MMEL is promoted by Mr. Kanthilal Jain and Mr. Gauthamchand Jain. The company undertakes trading of wires and cables. MMEL's product profile includes low-tension power cables, instrumentation cables and specialty wires. The company is an authorized distributor of wires and cables manufactured by Paragon Power Cables Limited (PARAGON), KEI Industries Limited (KEI) and Polycab Wires Private Limited (POLYCAB).

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For FY2013–14, MMEL reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.74.03 crore, as compared with PAT of Rs.0.33 crore on operating income of Rs.60.24 crore in FY2012–13. The company's net worth stood at Rs.3.13 crore as on March 31, 2014, as compared with Rs.2.77 crore a year earlier.

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