

**March 21, 2016**

Facility	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>10.00</b>	<b>SMERA B+/Stable (Upgraded from SMERA B/Stable)</b>

SMERA has upgraded the long term rating on the Rs.10.00 crore bank facility of Metal s & Metal Electric Private Limited (MMEL) to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA B**' (read as SMERA B). The outlook is '**Stable**'. The upgrade reflects improvement in revenue and net worth levels of the company. The rating continues to draw comfort from the long track record of operations and experienced management. However, the rating is constrained by the working capital intensive operations, weak financial risk profile marked by high leverage indicators and stretched liquidity position.

**Update:**

The company's revenue increased to Rs.110.86 crore in FY2014-15 from Rs.74.03 crore in FY2013-14 (refers to the financial year, April 01, to March 31). It registered compounded annual growth rate (CAGR) of 40 percent over the last four years ended FY2014-15. The improvement in net worth levels touched Rs.4.73 crore in FY2014-15 from Rs.3.13 crore in FY 2014 with significant improvement in debt to equity to 2.71 times in FY2015 from 4.94 times in FY2014. The weak financial risk profile is marked by high leverage (total outside liabilities to tangible net worth ratio) of 11.40 as on March 2015 and low interest coverage ratio of 1.40 times in FY2015. The company's stretched liquidity position is reflected in the high utilisation (~98 percent) of cash credit limit during the period November 2015 to January 2016.

**Outlook: Stable**

SMERA believes that MMEL will continue to benefit over the medium term from its promoters' extensive industry experience and established presence in Tamil Nadu. The outlook may be revised to 'Positive' in case of significant improvement in its financial risk profile on account of better-than-expected cash accruals or equity infusion along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of pressure on the company's liquidity emanating from lower-than-expected cash accruals and large working capital requirements.

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### Rating Sensitivity Factor

- Efficient working capital management

### About The Company

MMEL, established in 1988 as a partnership firm was later converted into a private limited company in 1993. Promoted by Mr. Kanthilal Jain and Mr. Gauthamchand Jain, MMEL trades in wires and cables. The product profile of the company includes low-tension power cables, instrumentation cables and specialty wires. MMEL is an authorised distributor of wires and cables of Paragon Power Cables Limited (PARAGON), KEI Industries Limited (KEI) and Polycab Wires Private Limited (POLY CAB).

For FY2014-15, MMEL reported profit after tax (PAT) of Rs.0.55 crore on operating income of Rs.110.86 crore, as compared with PAT of Rs.0.36 crore on operating income of Rs.74.03 crore in FY2014-15.

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