

Press Release

20 March, 2017

Metal s & Metal Electric Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.13.00 Cr (Enhancement from Rs.10 Cr)
Long Term Rating	SMERA B+/Stable

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs. 13.00 crore bank facilities of Metal's & Metal Electric Private Limited . The outlook is '**Stable**'.

Metal's & Metal Electric Private Limited (MMEPL) is an authorised distributor of wires and cables of Paragon Power Cables Limited (Paragon), KEI Industries Limited (KEI) and Polycab Wires Private Limited (Polycab).

Key Rating Drivers

Strengths

- **Moderate scale of operations**

MMEPL's revenues increased to Rs.145.33 cr in FY2016 from Rs.110.86 cr in FY2015. The company registered revenue of ~Rs.145.00 cr from April 2016 to January 2017.

- **Experienced management**

MMEPL, established in 1988, is an authorised distributor of wires and cables of Paragon, KEI and Polycab. The promoters, Mr. Kanthilal Jain and Mr. Gauthamchand Jain possess more than three decades of experience in the said line of business. MMEPL trades in wires and cables.

Weaknesses

- **Low profitability**

The operating margins declined and remained thin due to the trading nature of business. The EBITDA margins declined to 1.69 percent in FY2016 from 2.62 percent in FY2015. The net margins are thin at 0.47 percent in FY2016 and 0.50 percent in FY2015. The RoCE has been moderate at 13.76 percent in FY2016.

- **Average financial risk profile**

The financial risk profile continues to be average marked by gearing (debt-to-equity ratio) of 2.30 times and net worth of Rs.5.41 cr as on March 31, 2016 as against gearing of 2.71 times and net worth of Rs.4.73 cr as on March 31, 2015. The debt protection metrics is moderate with interest coverage ratio (ICR) of 1.68 times in FY2015-16 as against 1.40 times in FY2014-15. The DSCR stood at 1.48 times in FY2015-16 as against 1.28 times in FY2014-15. The NCA/TD stood at 0.06 times. The TOL/TNW levels are high at 12.37 times for FY2016.

• Working capital intensive operations

The operations are working capital intensive evident in the Gross current assets (GCA) days of around 180 days as on March 31, 2016. However the working capital cycle was comfortable at 36 days as on March 31, 2016, an improvement from 52 days as on March 31, 2015. The current ratio stood at 1.13 times and unencumbered cash and bank balance at Rs.2.03 crore in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Metal's & Metal Electric Private Limited (MMEPL)

Outlook: Stable

SMERA believes that MMEPL will maintain a stable outlook and 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 the company achieves the projected growth in revenues and profit margins or improvement in the financial risk profile along with effective working capital management. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected growth. Major deterioration in the capital structure on account of higher-than-expected working capital requirements may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

MMEPL, established in 1988 as a partnership firm was converted to a private limited company in 1993. Promoted by Mr. Kanthilal Jain and Mr. Gauthamchand Jain, the company trades in wires and cables. The products include low-tension power cables, instrumentation cables and specialty wires. MMEPL is an authorised distributor of wires and cables of Paragon Power Cables Limited (Paragon), KEI Industries Limited (KEI) and Polycab Wires Private Limited (Polycab). In FY2015-16, MMEPL reported net profit of Rs.0.68 cr on operating income of Rs.145.33 cr as against profit after tax (PAT) of Rs.0.55 cr on operating income of Rs.110.86 cr in the previous year. The net worth stood at Rs.5.41 cr as on March 31, 2016 against Rs.4.73 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Mar-2016	Cash Credit	Long Term	INR 10	SMERA B+ / Stable
27-Feb-2015	Cash Credit	Long Term	INR 10	SMERA B / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B+ / Stable

*Facility sanctioned by the bank, but yet to be disbursed.

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ABOUT SMERA

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