

March 13, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit under e-DFS	15.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)** to the Rs.15.00 crore long-term (fund based) bank facility of J P Alloys (JPA). The outlook is '**Stable**'. The rating is mainly constrained by the firm's weak financial risk profile and low net profit margin. The rating is also constrained by the firm's exposure to intense competition in the iron and steel industry. However, the rating is supported by the firm's experienced management and comfortable working capital cycle.

JPA, established in 1999, is a Jaipur-based partnership firm engaged in trading of iron and steel products. JPA's weak financial risk profile is marked by low net worth of Rs.2.82 crore and high leverage (total outside liabilities to tangible net worth ratio) of 3.85 times as on March 31, 2014. The firm's interest coverage ratio is low at 1.07 times in FY2013-14 (refers to financial year, April 01 to March 31). JPA reported low net profit margin of 0.10 per cent in FY2013-14. The firm's current ratio is moderate at 1.26 times as on March 31, 2014. JPA operates in an intensely competitive segment of the iron and steel industry.

JPA benefits from its experienced management. Mr. Mukesh Chandra Agarwal, partner of JPA, has around 20 years of experience in the firm's line of business. JPA has a comfortable working capital cycle of 35 days in FY2013-14.

Outlook: Stable

SMERA believes JPA will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving significant improvement in profitability and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

About the firm

JPA, established in 1999, is a Jaipur-based partnership firm promoted by Mukesh Chandra Agarwal. JPA is engaged in trading of iron and steel products.

For FY2013-14, JPA reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.102.59 crore, as compared with PAT of Rs.0.09 crore on operating income of Rs.100.85 crore in FY2012-13. The firm registered revenue of Rs.98.88 crore (provisional) during April 2014 to

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SMERA RATINGS LIMITED

J P Alloys (JPA)

Rating Rationale

December 2014. JPA's net worth stood at Rs.2.82 crore as on March 31, 2014, as compared with Rs.3.16 crore a year earlier.

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