



SMERA RATINGS LIMITED

Swastik Enterprises (India) (SEI)

Rating Rationale

June 09, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	11.00	SMERA BB-/Stable (Assigned)
Cash Credit (proposed)	4.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA Double B minus**) to the Rs.15.00 crore long-term (fund based) bank facilities of Swastik Enterprises (India) (SEI). The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management and moderate financial profile. The rating also draws comfort from the firm's purchase agreement with Bharat Aluminum Company Limited (BALCO) for procurement of raw material at discounted rates. However, the rating is constrained by the firm's stretched liquidity position. The rating is also constrained by the firm's exposure to intense competition in the cables and wires industry.

SEI, established in 2004, is a Delhi-based proprietorship firm engaged in trading and manufacturing of aluminium wires and copper wires. Mr. Siddharth Jain, proprietor of SEI, has around 10 years of experience in the firm's line of business. SEI's moderate financial risk profile is marked by leverage (debt-to-capital ratio) of 2.31 times as on March 31, 2014 and interest coverage ratio of 2.23 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm reported moderate net profit margin of 1.12 per cent in FY2013-14. SEI has entered into a purchase agreement with BALCO for sourcing 9,600 metric tonnes of aluminium (at discounted rates) during April 2014 to March 2015.

SEI's stretched liquidity position is evidenced by high average utilisation (98 per cent) of cash credit limit during Nov 2014 to May 2015. The firm faces intense competition from several players in the cables and wires industry.

Outlook: Stable

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

About the firm

SEI, established in 2004, is a Delhi-based proprietorship firm engaged in manufacturing and trading of aluminum wires and copper wires. SEI was promoted by Mr. Rajeev Kumar. In 2012, Mr. Siddharth Jain joined SEI and the firm was converted into a partnership entity. However, Mr. Rajeev Kumar retired from the firm in 2012 and Mr. Siddharth Jain became the sole proprietor of SEI.

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For FY2013–14, SEI reported profit after tax of Rs.0.77 crore on net sales of Rs.69.17 crore, as compared with profit after tax of Rs.0.40 crore on net sales of Rs.25.68 crore in FY2012–13. The firm's net worth stood at Rs.3.69 crore as on March 31, 2014. SEI registered revenue of Rs.75.03 crore (provisional) during April 2014 to March 2015.

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