

Purulia Metal Casting Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	35.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
Term Loan	2.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
Term Loan (Proposed)	7.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
Term Loan (Proposed)	3.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)

SMERA has downgraded the long term rating on the abovementioned bank facilities of Purulia Metal Casting Private Limited (PMCPL) to **'SMERA BB' (read as SMERA double B)** from SMERA BB+ (read as SMERA double B plus). The outlook is **'Stable'**.

The rating downgrade is due to decline in operating income and stressed working capital cycle marked by increase in gross current assets. The downgrade also takes into account the company's low profitability and debt funded capex plan. However, the rating draws support from the experienced management and above average financial risk profile.

Update

PMCPL is engaged in the manufacture of MS Billet and TMT bars. The company reported profit after tax (PAT) of Rs.1.17 crore on operating income of Rs.165.58 crore for FY2015-16 (refers to financial year, April 01 to March 31) as compared to PAT of Rs.1.74 crore on operating income of Rs.223.53 crore in the previous year. This was mainly because the factory was closed for almost three months for expansion. The company's operations are working capital intensive marked by gross current asset (GCA) of 286 days against 251 days during the previous year. The high GCA days emanate from the high inventory holding period and high debtor days of 162 and 103 respectively in FY2016 as against 145 and 89 days respectively in FY2015. The company reported operating margin of 0.08 per cent for FY2015-16 vis-à-vis 0.12 per cent in the previous year. Besides, the company is plans to set up a sinter plant at the factory premises at a cost of around Rs.25.00 crore to be funded in the debt-equity ratio of 1:1.50. The project is expected to commence operations in the last quarter of this financial year. The company is exposed to significant implementation and funding risks since the expansion project is in the nascent stage and loans are yet to be sanctioned.

However, PMCPL benefits from its experienced management. Mr. Bhabani Prasad Mukherjee and Mr. Gautam Sen, the promoters, possess over a decades experience in the iron and steel industry. Further, the rating also draws support from the above average financial risk profile of the company marked by high net worth of Rs.44.56 crore and comfortable gearing (Debt-equity) of 0.97 times. The healthy interest coverage ratio (ICR) stood at 1.88 times and debt service coverage ratio (DSCR) of 1.27 times in FY2015-16.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Debt funded capex plan

Outlook-Stable

SMERA believes that PMCPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Company

PMCPL, incorporated in 2004, is a Kolkata-based company promoted by Mr. Bhabani Prasad Mukherjee and Ms. Gautam Sen. The company is engaged in the manufacturing of MS Billet and TMT bars.

For FY2015-16, PMCPL registered profit after tax (PAT) of Rs.1.17 crore on operating income of Rs.165.58 crore, as compared with PAT of Rs.1.74crore on operating of Rs.223.53 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
19 August, 2015	Cash Credit	35.00	SMERA BB+ (Reaffirmed)	-	Stable
	Term Loan	2.00	SMERA BB+ (Reaffirmed)	-	Stable
	Term Loan (Proposed)	7.00	SMERA BB+ (Reaffirmed)	-	Stable
	Term Loan (Proposed)	3.00	SMERA BB+ (Assigned)	-	Stable
15 July, 2015	Cash Credit	35.00	SMERA BB+ (Assigned)	-	Stable
	Term Loan	2.00	SMERA BB+ (Assigned)	-	Stable
	Term Loan (Proposed)	7.00	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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