

### M I Alloys Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA B+/Stable (Reaffirmed)
Term Loan I	1.75	SMERA B+/Stable (Reaffirmed)
Term Loan II	3.76	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	0.85	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the abovementioned bank facilities of M I Alloys Private Limited (MIAPL). The outlook is '**Stable**'.

The ratings continue to draw comfort from the experienced management and improved operating margins. However, the ratings are constrained by the small scale of operations, decline in revenues, below average financial risk profile and working capital intensive operations.

#### Update

MIAPL is engaged in the manufacture of stainless steel round bars and flats. The company's revenue declined to Rs.18.14 crore in FY2015-16 from Rs.19.98 crore in FY2014-15 on account of fall in steel prices. The company achieved revenue of Rs.15.00 crore during April – October 2016.

MIAPL's operating margins improved to 7.27 percent in FY2015-16 from 5.84 percent in FY2014-15. The ROCE stood at 5.37 percent in FY2015-16. The improvement is mainly on account of decline in raw material prices.

MIAPL's financial risk profile deteriorated with gearing (debt-equity ratio) of 2.98 times as on March 31, 2016 as compared to 1.49 times as on March 31, 2015. The interest coverage ratio deteriorated to 2.29 times in FY2015-16 as compared to 3.28 times in FY2014-15. The DSCR stood at 1.36 times for FY2015-16. The operations are working capital intensive as reflected in its gross current assets of 314 days as on March 31, 2016 (PY: 165 days) on account of high debtor days of 165 and high inventory days of 149.

#### Rating Sensitivity Factors

- Sustained improvement in the scale of operations and profitability
- Generation of adequate net cash accruals
- Improvement in the capital structure
- Efficient working capital management

#### Outlook-Stable

SMERA believes that MIAPL will continue to maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company reports significant increase in revenue and operating profitability, leading to considerably large cash accruals and improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability leading to lower than expected cash accruals or deterioration in the capital structure due to debt-funded capex or working capital borrowings.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

MIAPL, a Gujarat-based company was incorporated in 2011. The company, promoted by Mr. Champalal Purohit and Mr. Ashok Kumar Singh is engaged in the manufacture of stainless steel round bars and flats.

For FY2015–16, MIAPL reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.18.14 crore, as compared with PAT of Rs.0.34 crore on operating income of Rs.19.98 crore for FY2014–15.

**Rating History**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 October, 2015	Cash Credit	3.00	SMERA B+ (Assigned)	-	Stable
	Term Loan I	1.75	SMERA B+ (Assigned)	-	Stable
	Term Loan II	3.76	SMERA B+ (Assigned)	-	Stable
	Bank Guarantee	0.85	-	SMERA A4 (Assigned)	-

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**ABOUT SMERA**

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