

December 10, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit*	43.00	SMERA BBB-/Stable (Assigned)

**includes sublimit of Inland letter of credit, foreign letter of credit, Buyers credit to the extent of Rs 20 crore*

SMERA has assigned the long-term rating of **SMERA BBB-' (read as SMERA triple B minus)** to above mentioned bank facility of Namu Alloys Private Limited (NAPL) to ' '. The outlook is **'Stable'**.

The rating reflects healthy growth in revenues and improvement in gearing in FY2014-15 (refers to financial year, April 01 to March 31). The gearing is expected to improve further in FY2015-16 with an infusion of minimum Rs.2.00 crore by promoters through unsecured loans or equity. The rating also draws comfort from the moderate liquidity profile with fund based limit utilisation (Bank limit utilization - 83 per cent for 12 months through August 2015) and moderate working capital cycle. The rating is further supported by the company's long track record of operations, experienced management and established relations with customers. However, the rating is constrained by the intense competition in the auto components industry and susceptibility of the profit margins to fluctuations in forex rates.

Outlook: Stable

SMERA believes NAPL will maintain a moderate business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenues and capital structure while maintaining its working capital. Conversely, the outlook may be revised to 'Negative' with deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in profitability and capital structure
- Working capital management

About the Company

NAPL, established in 1996, is a New Delhi-based company promoted by Mr. Neeraj Kumar Jain and Mr. Naresh Kumar Jain. The company is engaged in the manufacture of aluminium ingots, zinc alloy ingots and pressured die casting components at its two plants located at Manesar and Prithla in Haryana. The company has interest bearing unsecured loans worth Rs.4.50 crore in FY2014-15 from promoters, friends and relatives that are subordinated to bank debt and will remain in the business over the medium term. SMERA has treated such unsecured loans as quasi-equity.

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Namo Alloys Private Limited (NAPL)

Rating Rationale

For FY2014–15, NAPL reported profit after tax (PAT) of Rs.0.37 crore on operating income of Rs.291.22 crore, as compared with PAT of Rs.1.04 crore on operating income of Rs.289.31 crore for FY2013–14. The company's net worth stood at Rs.24.07 crore as on March 31, 2015, as compared with Rs.23.18 crore a year earlier.

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