



SMERA RATINGS LIMITED

A. K. Multimetals Private Limited (AKMPL)

Rating Rationale

March 19, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.50	SMERA BB-/Stable (Assigned)
Term Loan	0.26	SMERA BB-/Stable (Assigned)
Fund Based Facility (Proposed)	0.74	SMERA BB-/Stable (Assigned)
Bank Guarantee	1.00*	SMERA A4+ (Assigned)

*Includes sublimit of letter of credit to bank guarantee upto Rs. 1.00^cr

^Includes sublimit of buyers credit to letter of credit upto Rs.1.00cr

SMERA has assigned a rating of '**SMERA BB- (read as SMERA double B minus)**' to the Rs.6.50 crore long term facility and '**SMERA A4+ (read as SMERA A four plus)**' to the Rs.1.00 crore short term facility of A. K. Multimetals Private Limited (AKMPL). The outlook is '**Stable**'. The ratings draw comfort from the company's long track record of operations, experienced management and moderate financial profile marked by comfortable capital structure reflecting in low gearing and modest coverage indicators. However, the ratings remain constrained due to the small scale of operations and cyclicity in the steel industry. The ratings are further constrained by the susceptibility of profit margins to volatility in raw material prices and working capital intensive operations.

Outlook: Stable

SMERA believes AKMPL will maintain a Stable outlook over the medium term owing to the experienced management and diversified customer base. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in its profitability. Conversely the outlook may be revised to Negative in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Efficient working capital management
- Scaling up of operations while maintaining its margins

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About the Company

AKMPL, incorporated in 1998 is a Punjab-based company promoted by Mr. Ashok Gupta, Mr. Deepak Gupta and Mr. Vijay Gupta. The company is engaged in manufacturing of steel castings, metal rolls and mild steel ingots at its manufacturing unit in Mandi Gobindgarh (Punjab) which has an installed capacity of 2,500 MTPA (steel casting), 2500 MTPA (metal rolls) and 5500 MTPA (MS ingots) respectively.

For FY2014–15, AKMPL reported net loss of Rs.0.01 crore on operating income of Rs.17.48 crore, as compared with profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.20.37 crore in FY2013–14.

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