

April 05, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA B+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.8.00 crore bank facility of Shree Metalloys Limited (SML). The outlook is '**Stable**'. The rating draws comfort from the extensive experience of the promoters and healthy relations with customers and suppliers. However, the rating is constrained by the modest operating margins on account of the trading nature of business and working capital intensive operations. The rating is further constrained by susceptibility of the operating margins to volatility in commodity prices and the highly competitive and fragmented metal industry.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management
- Future capex plans and its funding mix thereof

Outlook: Stable

SMERA believes that SML will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if SML generates substantial and sustainable revenues or operating margins resulting in improvement in the existing business risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates thereby resulting in stretch in the liquidity position or if the company undertakes significant debt funded capex.

About the Company

Promoted by Kabra and family, SML (the erstwhile Mercury Finance Stock Limited) was established in 1994. The company is engaged in the trading of ferrous and non-ferrous metals and undertakes job work for metal alloys, wires (zipper wires) among others. The company carries out its operations from Jamnagar and Ahmedabad districts of Gujarat.

For FY2014-15 (refers to financial year, April 1 to March 31), SML reported profit after tax (PAT) of Rs.0.11 crore on total revenues of Rs.38.48 crore as against PAT of Rs.0.11 on total revenues of Rs.49.36 crore a year earlier.

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