

Izzy Metals Private Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Term Loan	0.18	SMERA BB-/Stable (Assigned)
Letter of Credit	1.50	SMERA A4+ (Assigned)
Bank Guarantee	0.50	SMERA A4+ (Assigned)
Term Loan (Proposed)	2.00	SMERA BB-/Stable (Assigned)
Working Capital (Proposed)	1.32	SMERA BB-/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.7.50 crore long term (fund based) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.2.00 crore short term (non-fund based) bank facilities of Izzy Metals Private Limited (IMPL). The outlook is **Stable**. The ratings derive comfort from the company's experienced management and established relations with customers and suppliers. The ratings also factor in the moderate financial risk profile. However, the ratings are constrained by the small scale of business, working capital-intensive operations and shrinking margins.

IMPL, incorporated in 1996, is a Jaipur-based company engaged in the manufacture and winding of wires and strips. The company benefits from its experienced management. Mr. Nand Kishore, Director has 25 years of experience in the electrical industry. The company also benefits from its established relations with customers and suppliers.

IMPL's moderate financial profile is reflected in the leverage (debt-equity ratio) of 1.43 times as on 31 March, 2015 and interest coverage ratio of 1.66 times in FY2014-15 (refers to financial year, April 01 to March 31). SMERA believes that the company's financial risk profile continues to remain moderate owing to reliance on outside borrowings to support operations.

IMPL has small-scale of operations with operating income of Rs.21.22 crore in FY2014-15. The operations are working capital-intensive with gross current assets (GCA) of 119 days from collection and inventory holding period of 54 days and 47 days, respectively in FY2014-15. SMERA believes that over the medium term, the operations will continue to remain capital intensive considering that the company deals with government organisations. The company faces intense competition from several players in the electrical industry evident from moderation in profit margins to 5.14 percent in FY2014-15 against 6.90 per cent during the previous year.

Outlook- Stable

SMERA believes that IMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' if the company registers strong growth in scale of operations while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure or stretch in the working capital cycle.

Rating Sensitivity Factors

- Debt funded capital expansion
- Improvement in the working capital cycle
- Sustainable increase in revenue and profitability profile

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Rajasthan-based IMPL was incorporated in 1996 by Mr Nand Kishore to manufacture winding wires and strips.

For FY201415, the company reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.21.22 crore, as compared with profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.14.29 crore in FY2013-14. As per 11 months financials for FY2015-16, the company booked revenue of Rs.16.74 crore (Provisional). The net worth stood at Rs.2.70 crore as on March 31, 2015 against Rs.2.65 crore a year earlier.

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ABOUT SMERA

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