

Jahir Impex: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.25	SMERA B/Stable (Assigned)
Cash Credit (Proposed)	1.75	SMERA B/Stable (Assigned)
Letter of Credit	8.75	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) on the above mentioned bank facilities of Jahir Impex (JI). The outlook is '**Stable**'. The ratings are constrained by the below average financial risk profile marked by high total outside liabilities to total net worth. The rating is also constrained by the capital intensive operations and inherent risk of withdrawal due to partnership constitution of the firm. However, the ratings are supported by the experienced promoters.

JI, established in 2005, is engaged in the trading of iron and steel scrap. The proprietor, Mr. Jahir Hussain, has more than two decades of experience in the iron and steel industry.

The financial risk profile has been below average, marked by low net worth of Rs.1.67 crore and high total outside liabilities to total net worth (TOL/TNW) of 12.93 times as on March 31, 2016 (Provisional) and 13.37 times as on March 31, 2015. The firm's interest coverage ratio (ICR) stood at 1.72 times (1.25 times in previous year) in FY2016 (Provisional).

The operations are working capital intensive reflected in the gross current assets (GCA) of ~132days in FY2015-16. The high GCA emanates from the debtor days of 80 days. The partnership constitution of the firm is yet another factor that renders it vulnerable to withdrawal of capital and the same has been observed in the past.

However, the firm benefits from its experienced management. The promoter, Mr. Jahir Hussain possesses extensive experience in the iron and steel industry.

Rating Sensitivity Factors

- Growth in revenue while achieving higher margin
- Effective working capital management
- Changes in the financial risk profile
- Changes in the capital structure

Outlook-Stable

SMERA believes JI will maintain a stable outlook and continues to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm registers improvement in its scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

JI, a Tamil Nadu-based firm was established in 2005 by Mr. Jahir Hussain. The firm is primarily engaged in trading of iron and steel scrap.

For FY2015–16 (Provisional), the firm reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.56.61 crore as against profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.42.44 in the previous year. The firm's net worth stood at Rs.1.67 crore as on March 31, 2016 as against Rs.1.39 crore as on March 31, 2015.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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