

### Shiva Metalloys International Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	11.00	SMERA B+/Stable (Assigned)
Letter of Credit(Import/Inland)/ Buyers Credit	15.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.26.00 crore bank facilities of Shiva Metalloys International Limited (SMIL). The outlook is '**Stable**'. The ratings are constrained by the company's weak financial risk profile marked by low net profitability and low coverage indicators. The ratings also factor in the highly competitive and fragmented non-ferrous industry and exposure to fluctuations in raw material prices. SMERA also notes that the company has stretched working capital cycle. However, the ratings draw support from the extensive experience of its promoters and long track record of operations.

SMIL's weak financial risk profile is marked by moderate gearing of 1.74 in FY2015-16 as compared to 2.07 a year earlier. The company has low coverage ratio of 1.10 in FY2015-16 as compared to 1.39 in FY2014-15. The net profit margin has been at a low of 0.11 per cent in FY2015-16 as compared to 0.54 per cent in the previous year. Besides, the company is exposed to intense market competition with limited entry barriers in the non-ferrous industry. The company is also exposed to fluctuations in raw material prices evident in the decline in sales from FY2013-14 to FY2015-16. The company has stretched working capital cycle of 209 days as on 31 March, 2016 as compared to 177 days a year earlier.

However, SMIL, established in 1994, is headed by directors with experience of over two decades in the non-ferrous industry.

#### Outlook: Stable

SMERA believes that SMIL will maintain a stable outlook and benefit over the medium term from the long track record of operations and extensive experience of the promoters. The outlook may be revised to 'Positive' if the company scales up operations with improvement in profit margins. Conversely, the outlook may be revised to 'Negative' if the capital structure and margins further deteriorate affecting the financial risk profile.

#### Rating Sensitivity Factor

- Improvement in revenue and profitability profile

#### Criteria applied to arrive at the ratings:

- Trading Entities

### About the Company

The Delhi-based SMIL, incorporated in 1994 is engaged in the trading of non-ferrous metals such as nickel, zinc, lead among others. The company is headed by Directors, Mr. Suresh Kumar Chawla, Mr, Ramesh Kumar Chawla, Mr. Gaurav Chawla and Mr. Gautam Chawla who possess experience of around three decades in the non-ferrous industry. SMIL imports goods from countries such as Canada, Malaysia, Australia and sells them to retailers and suppliers across India.

For FY2015-16, the company reported PAT (profit after tax) of Rs.0.08 crore on operating income of Rs.72.20 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.78.07 crore in FY2014-15. The net worth stood at Rs.14.70 crore as on March 31, 2016 against Rs.12.55 crore a year earlier.

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### ABOUT SMERA

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