

Vedika Metals Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	7.00	SMERA BB-/Stable (Assigned)
Inland/Import LC/Buyers credit	8.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4+ (read as SMERA A four plus)** on the Rs.15.00 crore bank facilities of Vedika Metals Private Limited (VMPL). The outlook is '**Stable**'. The rating is supported by the experienced management and moderate liquidity position. However the ratings are constrained by the declining revenue and profitability, susceptibility of profit margins to volatility in raw material prices and cyclicalities in the steel industry.

The Kolkata-based VMPL, established in 2008, is engaged in the trading of ferro alloys, manganese ore and coal. The company benefits from its experienced management. Mr. Aditya Almal, Director, possesses experience of around 20 years in a similar line of business. The company has moderate working capital cycle of around 52 days in FY2015-16. The average cash credit utilisation stands at below 11 per cent during April, 2016 to September, 2016.

However the ratings are constrained by the declining revenue trend. Revenues fell from Rs.196.14 crore in FY2012-13 to Rs.133.41 crore in FY2015-16 on account of weakening raw material prices that led to fall in the sales price of the commodity. However the company has earned revenues of Rs.41.52 crore during April to June, 2016 (provisional). The company registered low operating margins of around 1.92 per cent in FY2014-15 on account of the trading nature of business. Further, the operating margins declined to 0.81 per cent in FY2015-16 on account of fluctuating raw material prices. The company is also exposed to cyclicalities associated with the steel industry.

Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that VMPL will maintain a stable outlook and benefit over the medium term from the extensive experience of its management. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability while maintaining comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in the working capital cycle weakening the financial risk profile, particularly liquidity.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Company

VMPL incorporated in 2008, is a Kolkata-based company engaged in the trading of ferro alloys, coal and manganese ore. The company was promoted by Aditya Almal and Anupriya Almal.

For FY2015-16, VMPL reported net losses of Rs.0.23 crore on operating income of Rs.133.41 crore as compared with profit after tax (PAT) of Rs.1.27 crore on operating income of Rs.164.39 crore in FY2014-15.

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ABOUT SMERA

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