

Press Release

Sri Prasanna Metals and Alloys (SPMA)

25 April, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs.9.26 Cr.
Long Term Rating	SMERA D (Downgraded)
Short Term Rating	SMERA D (Downgraded)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating of Sri Prasanna Metals and Alloys to '**SMERA D** (read as SMERA D) from '**SMERA B+** (read as SMERA B plus) and short term rating to '**SMERA D** (read as SMERA D) from '**SMERA A4**' (read as SMERA A four). The rating is driven by continuous over drawings in working capital facilities for more than 30 days during the period February to March 2018.

Established in 2004, Sri Prasanna Metals and Alloys, a partnership firm is promoted by Mr. N Muruganandam, Mr. R Manivannan, and Mr. P S Veeramani. The firm is into fabrication of structural steel components used in cement factories and sugar mills. The manufacturing facility is located in Vellore (Tamil Nadu).

Key rating drivers

Weakness

Delays in debt servicing: The rating is driven by continuous over drawings in the cash credit facilities during the periods January 09, 2018 to February 12, 2018 and February 15, 2018 to March 31, 2018. The cash credit account is continuously overdrawn for a period exceeding 30 days from Feb 15, 2018 to March 31, 2018 as evident from the cash credit statement of the firm. The firm has cash credit limit of Rs.7.5 crores, and the average outstanding is about Rs.7.9 crore throughout the month of March 2018. Further, the average utilisation over past six months is about 107 per cent. The over drawings were due to delay in payments and long credit cycle with its customers.

Strength

Experienced management and established relationship with customers: The partners have almost two decades of experience in fabrication business. SPMA has established relationships with reputed customers like FL Smith Inc. (Denmark and Chennai), Howda Engineering Construction Pte Ltd. (Singapore), L&T Ltd among others. This enables the company in getting repetitive orders/contracts.

Analytical approach: SMERA has considered standalone business and financial risk profiles of SPMA.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	36.72	30.43	23.16
EBITDA	Rs. Cr.	1.62	1.93	1.76
PAT	Rs. Cr.	0.20	0.53	0.46
EBITDA Margin	(%)	4.42	6.34	7.60
PAT Margin	(%)	0.54	1.75	1.99

ROCE	(%)	9.76	13.51	27.67
Total Debt/Tangible Net Worth	Times	1.15	1.16	1.00
PBDIT/Interest	Times	1.37	1.92	1.92
Total Debt/PBDIT	Times	5.11	3.98	3.19
Gross Current Assets (Days)	Days	183	163	216

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Jan-2017	Cash Credit	Long Term	7.50	SMERA B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.26	SMERA B+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	SMERA A4 (Reaffirmed)
14-Dec-2015	Proposed Long Term Loan	Long Term	0.26	SMERA B+/Stable (Assigned)
	Proposed Cash Credit	Long Term	7.50	SMERA B+/Stable (Assigned)
	Proposed Bank Guarantee	Short Term	1.50	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA D (Downgraded)

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ABOUT SMERA

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