

Press Release

Purvi Metals Private Limited

March 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 15.00 crore bank facilities of Purvi Metals Private Limited. The outlook is '**Stable**'.

Purvi Metals Private Limited (PMPL), incorporated in 2011 is a Mumbai-based company promoted by Mr. Brijesh Singh and Mr. Rangabahadur Singh. The company is engaged in the trading of steel coils. The company buys steel coils from manufacturers in bulk and sells the same across India.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

PMPL was incorporated in 2011. The promoters, Mr. Brijesh Singh and Mr. Rangbahadur Sahjeet Singh have over three decades of experience in steel trading.

- **Y-O-Y growth in revenue**

PMPL has recorded operating income of Rs.82.58 cr in FY2016 as against Rs.29.83 cr in FY2015 and Rs.7.68 cr in FY2014. The company achieved revenue of Rs.65.00 cr from April to January 2016 and has orders worth Rs.15.00 cr.

Weaknesses

- **Low profitability and susceptibility to fluctuations in raw material prices**

PMPL has low profitability marked by operating margin of 2.31 percent and PAT (profit after tax) margin of 0.40 percent in FY2016 as against operating margin of 1.47 percent and profit margin of 0.36 percent in FY2015. The profitability remains low due to the trading nature of business. Further, the margins also remain susceptible to volatility in steel prices.

- **Average financial risk profile**

PMPL has average financial risk profile marked by gearing of 1.93 times as on 31 March 2016. The total debt mainly comprises working capital borrowings. The ICR (Interest Coverage) stood at 1.32 times in FY2016 as against 1.63 times in FY2015. Further, the tangible net-worth stood at Rs.7.05 cr as on 31 March 2016. (The tangible net worth includes subordinated quasi equity of Rs.1.42 cr)

- **Working capital intensive operations**

The company has working capital intensive operations marked by GCA (gross current assets) of 136 days in FY2016 as against 125 days in FY2015 on account of debtor days of 120 and inventory days of 16 for FY2016. The average utilisation of working capital limits stood at ~100 percent from July to December 2016. Further, adhoc cash credit facility of Rs.2.50 crore was granted to the company for October and November 2016.

- **Competitive and fragmented nature of industry**

PMPL operates in a highly fragmented steel industry. The company faces intense competition from a large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PMPL

Outlook: Stable

SMERA believes that PMPL will maintain a Stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to Positive in case the company registers more than expected growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net profit of Rs.0.33 cr on operating income of Rs.82.58 cr, as compared with net profit of Rs.0.11 cr on operating income of Rs.29.83 cr in FY2014-15. The net worth stood at Rs.7.05 cr as on March 31, 2016 as against Rs.3.20 cr a year earlier. The tangible net worth includes subordinated quasi equity of Rs.1.42 cr in FY2016.

Status of non-cooperation with previous CRA (if applicable)

ICRA Limited in its press release dated 02 June, 2016 had inter-alia mentioned the following - ICRA has suspended the rating of Purvi Metals Private Limited (PMPL). The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+ / Stable

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ABOUT SMERA

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