

Press Release

Purvi Metals Private Limited (PMPL)

10 October, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 Cr (Enhanced from Rs.15.00 Cr)
Long Term Rating	SMERA B+/ Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.20.00 crore bank facilities of Purvi Metals Private Limited. The outlook is '**Stable**'

Purvi Metals Private Limited (PMPL), 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

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 registered operating income of Rs.82.58 crore in FY2016 as against Rs.29.83 crore in FY2015 and Rs.7.68 crore in FY2014. The company achieved revenue of Rs.88.41 crore in FY2017 (Provisional).

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. Further, the company registered operating margin of 3.00 percent and PAT margin of 0.51 percent for FY2017 (Provisional). The profitability remains low due to the trading nature of business. The margins are also susceptible to volatility in steel prices.

Average financial risk profile: PMPL has average financial risk profile marked by high gearing and moderate coverage indicators. The gearing stood at 2.82 times as on 31 March 2017 (Provisional) as against 1.93 times in the previous year. The total debt mainly comprises working capital borrowings. The ICR (Interest Coverage) stood at 1.29 times in FY2017 (Provisional) as against 1.32 times in FY2016. Further, the tangible net-worth stood at Rs.7.67 crore as on 31 March 2017. (Tangible net worth includes subordinated quasi equity of Rs.1.59 crore as on 31 March 2017)

Working capital intensive operations: The company has working capital intensive operations marked by GCA (gross current assets) of 157 days in FY2017 as against 136 days in FY2016. This is on account of debtor days of 95 and inventory days of 62 for FY2017. Further, the working capital

cycle remains stretched marked by WCC (working capital cycle) days of 110 for FY2017 against 91 days for FY2016. This is mainly due to lower credit period support received from suppliers marked by creditor days of 48 for FY2017 (Provisional). The average utilisation of working capital limits stood at ~100 percent for the last six months ended July 2017.

Competitive and fragmented 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 profile 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 FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.88.41 crore, compared to net profit of Rs.0.33 crore on operating income of Rs.82.58 crore in FY2015-16. The net worth stood at Rs.7.67 crore as on 31 March, 2017 as against Rs.7.05 crore a year earlier. (Net worth includes subordinated quasi equity of Rs.1.59 crore as on 31 March 2017)

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:

- Application of Financial Ratios and Adjustments -<https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities -<https://www.smera.in/criteria-trading.htm>
- Default Recognition -<https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Mar, 2017	Cash Credit	Long Term	15.00	SMERA B+ / Stable

***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	20.00 (Enhanced from Rs.15.00 crore)	SMERA B+ / Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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