

Press Release

H F Metalart Private Limited

June 05, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 14.00 crore bank facilities of H F Metalart Private Limited. The outlook is '**Stable**'.

HF Metal Art Private Limited (HFMPL), incorporated in 2005 was promoted by Mr. Hanspeter Faude and Mr. Benjamin Merkli. The company is engaged in the manufacture and export of gift items such as gold and silver coins, medals, trophies, pendants among others. The company purchases gold from MMTC Limited, brass and copper from the domestic market and imports pendants from Germany (on order basis). The manufacturing facility located at Jaipur has capacity of 10000 gold and silver coins and around 1000 brass medals per day. Around 90 per cent of the manufactured products are exported to Switzerland with the balance 10 per cent sold in the domestic market.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Hanspeter Faude, Mr. Benjamin Merkli and Mr. Azoy Bansal have more than a decades experience in the said line of business which has helped in developing long term relations with customers and suppliers.

- **Healthy financial risk profile**

HFMPL has a healthy financial risk profile. The interest coverage ratio stood at 5.36 times in FY2016-17 (Provisional) as compared to 8.83 times in FY2015-16. Moreover the gearing of the company is comfortable and stood at 0.07 times in FY2016-17 (Provisional) against 0.06 times in FY2015-16. The networth declined to Rs.33.68 crore in FY2016-17 (Provisional) against Rs.36.22 crore in the previous year due to losses in the business which has led to erosion in networth. The net cash accrual (NCA)/total debt (TD) stood at 0.35 times in FY2016-17 (Provisional) against 2.31 times in the previous year.

- **Reputed clientele**

The client list includes reputed names such as Faude & Huguenin, Teleworld Marketing, Hallmark India Private Limited, Diamond India Ltd among others. HFMPL has more than 10 years of relationship with the said clients.

Weaknesses

- **Decline in revenue**

The revenue declined to Rs.9.66 crore in FY2016-17 (Provisional) against Rs.76.97 crore in FY2015-16. In FY2014-15, the revenue stood at Rs.28.34 crore. In FY2015-16, the company bagged an order

worth Rs.60.00 crore from a Switzerland-based company for making of 350 kg gold coins. The company registered losses of Rs. (-2.52) crore in FY2016-17 (Provisionals) against profit after tax (PAT) of Rs.1.46 crore in FY2015-16.

• Stretched working capital cycle

The company has stretched working capital cycle with high gross current asset (GCA) days of 707 in FY2016-17 (Provisional) which increased from 55 days in FY2015-16. The increase is due to increase in debtor days from 24 in FY2015-16 to 173 days in FY2016-17 (Provisional) which is a result of the slow down in the domestic market and delays in payment from domestic clients. The inventory days stood at 175 days in FY2016-17 (Provisional) against 16 days in FY2015-16. The inventory level of the company increased in FY2016-17 (Provisional) mainly due to year end purchases.

• Intense competition

The company faces intense competition from various players in India and overseas which is likely to impact operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that HFMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported loss of Rs.(-2.52) crore on operating income of Rs.9.66 crore, as compared with profit after tax (PAT) of Rs.1.46 crore on operating income of Rs.76.97 crore in FY2015-16. The net worth stood at Rs.33.68 crore as on 31 March, 2017 (Provisional) against Rs.36.22 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

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

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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

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ABOUT SMERA

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