

Press Release

Yash Metal Impex Private Limited (YMIPL)

22 June, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.25 Cr
Long Term Rating	SMERA B/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 A4**) on the Rs. 14.25 crore bank facilities of Yash Metal Impex Private Limited (YMIPL). The outlook is '**Stable**'.

YMIPL, incorporated in 2010, is a Mumbai-based company, engaged in the trading of non-ferrous metals.

List of key rating drivers and their detailed description

Strengths

Experienced management

The company is led by Mr. Yashpal Pichholia, Director who possesses experience of over two decades in the aforementioned industry.

Weaknesses

Low profitability

The low profitability is owing to the trading nature of business as reflected in the operating margins of 1.76 per cent in FY2016 (as against 1.52 per cent in FY2015). Further, the net profit margins stood low at 0.39 per cent in FY2016 (as against 0.24 per cent in FY2015) due to high interest burden.

Weak capital structure

The company has weak capital structure on account of low networth of Rs. 2.57 crore as on 31 March, 2016 (as against Rs.2.00 as on 31 March, 2015). Further, the high external borrowings, corresponding to the low networth has led to high TOL to TNW ratio which stands at 25.26 times and gearing of 13.19 times as on 31 March, 2016.

The total debt of Rs.33.91 crore includes home loan of Rs.10.38 crore, unsecured loans of Rs.6.26 crore, other loans of Rs.1.21 and short term borrowings of Rs.16.06 crore.

Highly fragmented and competitive industry

YMIPL operates in a highly fragmented non-ferrous metals industry with limited entry barriers. The company faces intense competition resulting in limited flexibility in margins.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

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

Outlook: Stable

SMERA believes that YMIPL will maintain a stable outlook over the medium term owing to the extensive experience of its promoters in the non-ferrous metal industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

YMIPL was incorporated in 2010 to take over the existing business of Yash Metal (established in 2001) and Nico Metal (established in 2007). The company, promoted by Mr. Yashpal Pichholiya and Mrs. Vandana Pichholiya trades in non-ferrous metals like tin ingots, zinc ingots, lead ingots and nickel cathodes.

For FY2015-16, YMIPL reported profit after tax (PAT) of Rs.0.64 crore on operating income of Rs.163.34 crore compared to PAT of Rs.0.27 crore on operating income of Rs.112.60 crore in FY2014-15.

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

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Bank Overdraft	LT	3.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit**	ST	4.25	SMERA A4 (Assigned)	-	-	-	-	-	-

**FBG/LOU for Buyers Credit sublimit of LC - Rs.4.25 crore

***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	NA	NA	NA	7.00	SMERA B/Stable (Assigned)
Bank Overdraft	NA	NA	NA	3.00	SMERA B/Stable (Assigned)
Letter of Credit**	NA	NA	NA	4.25	SMERA A4 (Assigned)

**FBG/LOU for Buyers Credit sublimit of LC - Rs.4.25 crore

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Rating Operations Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Reema Gangola, Manager – Rating Operations Tel:022-67141111 Email: reema.gangola@smera.in	

ABOUT SMERA

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