

## Press Release

### Ajmera Metals (Indore) Private Limited (AMIPL)

9 January, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.70 Cr.
<b>Long Term Rating</b>	SMERA B/ Outlook: Stable
<b>Short Term Rating</b>	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)** to the above mentioned bank facilities of Ajmera Metals (Indore) Private Limited (AMIPL). The outlook is **'Stable'**.

The Indore-based Ajmera Metals (Indore) Private Limited (AMIPL), incorporated in 2008 by Mr. Puneet Ajmera and Mr. Lalit Bhandari is engaged in the manufacturing of cold roll formed metal sections, electrical/MCB channel, ball bearing slides, sheet metal components among others. The company caters to the automobile, power and hardware industries.

### Key rating drivers

#### Strengths

#### Experienced management

The promoters, Mr. Puneet Ajmera and Mr. Lalit Bhandari have experience of almost a decade in the said line of business. Earlier the promoters were engaged in the manufacturing of modular kitchen appliances since 1985.

#### Weaknesses

#### Below average financial risk profile

AMIPL has below average financial risk profile marked by tangible net worth of Rs. 1.95 crore as on 31 March, 2017 as against Rs. 2.47 crore as on 31st March, 2016. The decrease in net worth was mainly on account of continued losses. The gearing stood high at 4.26 times as on 31 March, 2017 as against 2.61 times in the previous year. The debt of Rs. 8.34 crore mainly consists of term loans of Rs. 4.94 crore and working capital borrowings of Rs. 3.40 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 1.63 times for FY2017 as against 1.20 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 0.59 times for FY2017 as against 0.76 times in FY2016. The DSCR is below unity mainly because AMIPL's net cash accruals are not sufficient to pay its current portion of long term debt (CPLTD). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.86 times as on 31 March, 2017 as against 2.70 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.02 times as on 31st March, 2017 compared to 0.05 times in FY2016. Going forward, SMERA expects

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the financial risk profile to improve marginally in the near to medium term on account of repayment of term loans and absence of major debt funded capex plans.

### Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 176 days in FY2017 compared to 189 days in FY2016. The GCA days are mainly dominated by debtors of 105 days in FY2017 compared to 70 days in FY2016. The average cash credit utilisation for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### Competitive and fragmented industry

AMIPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting its bargaining power and margins.

### Analytical approach:

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

### Outlook – Stable

SMERA believes that AMIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.17	6.55	2.34
EBITDA	Rs. Cr.	1.21	0.69	0.23
PAT	Rs. Cr.	(0.51)	(0.51)	(0.04)
EBITDA Margin	(%)	9.17	10.48	9.79
PAT Margin	(%)	(3.85)	(7.74)	(1.69)
ROCE	(%)	5.39	(1.55)	1.59
Total Debt/Tangible Net Worth	Times	4.26	2.61	1.92
PBDIT/Interest	Times	1.63	1.20	1.67
Total Debt/PBDIT	Times	6.90	9.37	24.85
Gross Current Assets (Days)	Days	176	189	375

### Any other information:

Not Applicable

### 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>

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

None

### 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.28	SMERA B/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.42	SMERA B/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Assigned)

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## ABOUT SMERA

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