

Press Release

A H MINERALS

28 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 10.00 crore bank facilities of A H MINERALS. The outlook is '**Stable**'.

The Karnataka-based A H Minerals, a proprietorship concern was established by Mrs. Sandhya Kumari in 2013. The firm is engaged in the trading of sponge iron, steel, cement, coal and others.

Key Rating Drivers

Strengths

- **Experienced management**

AHM was established in 2013 by Mrs. Sandhya Kumari. The firm is led by her husband, Mr. Shashi Kumar Singh who has extensive experience in the industry.

- **Modest scale of operations**

The firm registered revenue of 39.48 crore in FY2017 as compared to Rs.36.37 crore in FY2016. Further, for the current year April to January 2018, the firm booked revenue of ~Rs. 60 crore. The firm plans to achieve approximately Rs. 70 crore by March 2018.

Weaknesses

- **Moderate financial risk profile marked by low net worth and high gearing**

The risk profile of the firm is marked by low tangible net worth of Rs. 0.51 crore as on 31 March, 2017 as against Rs. 0.28 crore as on 31 March, 2016. The gearing stood at 6.65 times as on 31 March, 2017 as against 2.68 times as on 31 March, 2016. The debt of Rs. 3.18 crore consists of unsecured loans from relatives of Rs. 2.53 crore and secured borrowings of Rs. 0.65 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 3.12 times for FY2017. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 26.70 times as on 31 March 2017 as against 22.38 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times in FY2017 as against 0.47 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 129 days in FY2017 as against 65 days in FY2016 and 124 days in FY2015. The GCA days are mainly dominated by high debtor days of 109 in FY2017 against 58 days in FY2016 and 48 days in FY2015. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Competitive and fragmented industry**

AHM operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins. The net profit margin stood at 1.07 per cent in FY2017 as against 0.95 percent in FY2016.

- **Proprietorship constitution**

SMERA Ratings Limited

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Since AHM is a proprietorship based firm it is exposed to capital withdrawal risk.

Analytical Approach

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

Outlook: Stable

SMERA believes that AHM will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or if the firm registers higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.48	36.37	29.11
EBITDA	Rs. Cr.	0.51	0.29	0.37
PAT	Rs. Cr.	0.42	0.34	0.30
EBITDA Margin	(%)	1.30	0.80	1.26
PAT Margin	(%)	1.07	0.95	1.02
ROCE	(%)	26.64	29.03	55.41
Total Debt/Tangible Net Worth	Times	6.25	2.68	0.88
PBDIT/Interest	Times	3.12	182.90	4.71
Total Debt/PBDIT	Times	4.94	2.12	1.68
Gross Current Assets (Days)	Days	129	65	124

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

Not Applicable

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. Crore)	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable

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ABOUT SMERA

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