

## Press Release

S R M Alloys Private Limited

August 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) to the Rs. 7.50 crore bank facilities of S R M Alloys Private Limited (SAPL). The outlook is '**Stable**'.

The Jodhpur based, SRM Alloys Private Limited was incorporated in 1994 by Mr. Ghanshyam Ojha and Mr. Kailash Ojha. The company is engaged in manufacturing of stainless steel sheet which is used in preparing utensils and cookware. The installed capacity is 2800 MT per annum which is ~60 percent utilised over the last 12 months.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SAPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The management of the company has extensive experience of more than two decades in metal industry. The company is benefited from promoters long standing presence and established relationship with customers and suppliers.

#### Weaknesses

- **Elongated working capital cycle**

The liquidity position of the company is elongated as reflected in high debtor days of 104 in FY2017-18 and creditor days of 55 in FY2017-18. The overall working cycle stood at 84 days in FY2017-18 with Gross Current Asset days of 135 in FY2017-18.

- **Weak financial risk profile**

The financial risk profile of the company is weak marked by low net worth of Rs.2.84 crore as on March 31, 2018 as compared to Rs.2.63 crore as on March 31, 2017. Further, DSCR stood at 0.85 times in FY2017-18 as compared to 0.79 times in FY2016-17. The interest coverage ratio stood at 1.49 times in FY2017-18 as compared to 1.40 times in FY2016-17.

#### Outlook: Stable

Acuite believes that the outlook on SRM Alloys Private Limited will remain 'Stable' over the medium term on account of the experience of the promoters in the metal industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenues and profitability while efficiently managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.24	43.08	56.54
EBITDA	Rs. Cr.	1.20	1.29	1.29
PAT	Rs. Cr.	0.20	0.19	0.15
EBITDA Margin	(%)	2.64	2.99	2.29
PAT Margin	(%)	0.45	0.45	0.27
ROCE	(%)	10.58	10.87	19.39
Total Debt/Tangible Net Worth	Times	2.87	2.82	3.99
PBDIT/Interest	Times	1.49	1.40	1.43
Total Debt/PBDIT	Times	6.81	5.76	7.50
Gross Current Assets (Days)	Days	135	126	121

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.11	ACUITE B- / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	0.76	ACUITE B- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE B- / Stable

## Contacts

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### About Acuité Ratings & Research:

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