

October 18, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	126.00	SMERA A-/Stable (Assigned)
Term Loans	10.72	SMERA A-/Stable (Assigned)
Letter of Credit	25.00	SMERA A2+ (Assigned)
Cash Credit (Proposed)	9.00	SMERA A-/Stable (Assigned)
Letter of Credit (Proposed)	20.00	SMERA A2+ (Assigned)
Total	190.72	

SMERA has assigned a long-term rating of '**SMERA A-**' (read as **SMERA Single A Minus**) and a short-term rating of '**SMERA A2+**' (read as **SMERA A Two Plus**) to the above-mentioned bank facilities of Agrawal Metal Works Private Limited (AMWPL). The outlook is '**Stable**'. The ratings are supported by the company's long-standing presence in the non-ferrous metal industry, established market position and diversified customer base. The ratings are also supported by the company's above-average financial risk profile marked by comfortable net worth, moderate leverage and strong debt-coverage indicators. However, the ratings are constrained by the company's working capital-intensive operations, exposure to intense competition in the non-ferrous metal industry and susceptibility to raw material price volatility.

AMWPL was established in 1923 as a partnership firm promoted by the Jain and the Gupta family. AMWPL is engaged in manufacturing of copper and copper alloy flat rolled products like copper and brass sheets, plates and coils. The company's management has over 30 years of experience in the non-ferrous metal industry. AMWPL has effectively strengthened its market position over the years. Moreover, AMWPL's diversified customer base renders a competitive edge to the company. AMWPL's revenues have grown at a CAGR of 28 per cent over the last five years. However, AMWPL's net profit margin is modest at 2.58 per cent in FY2012-13 due to limited value addition to the finished products.

AMWPL has an above-average financial risk profile. The company's tangible net worth stands at Rs.84.44 crore as on March 31, 2013. AMWPL has an overall leverage of 1.57 times as on March 31, 2013. The company's debt protection metrics are strong with interest coverage ratio of 3.28 times and debt-service coverage ratio of 2.04 times in FY2012-13.

AMWPL's operations are working capital-intensive. The company has high gross current assets (GCA) of around 102 days as on March 31, 2013 due to inventory holding period of around 45 days to 50 days and collection period of around 40 days to 50 days over the past three years. Consequently, the company's average bank limit utilisation has remained moderately high at about 85 per cent over the 12 months ended August 31, 2013. AMWPL's working capital limits have been enhanced from Rs.115.00 crore to Rs.126.00 crore in January, 2013. However, the company's

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liquidity profile is expected to remain strong due to healthy net cash accruals with no large debt-funded capital expenditure envisaged in the medium term.

The ratings also factor in the company's exposure to the intense competition prevalent in the non-ferrous metal industry, which is fragmented with the presence of several unorganised players and a few large integrated manufacturers. Moreover, the company is susceptible to volatility in raw material prices, as copper, by virtue of being a globally traded commodity, has shown a volatile price trend over the years. Nevertheless, AMWPL has adopted proactive risk management techniques to partially mitigate the raw material price volatility in order to protect its operating profit margins.

Outlook: Stable

AMWPL has a stable outlook. SMERA believes the company will continue to benefit over the medium term from its established market position, diversified customer base and experienced management. The outlook may be revised to 'Positive' in case the company achieves a sustained improvement in its profit margins while maintaining healthy revenue growth or in case of an improvement in the company's capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' if there is a significant decline in the company's revenues or in case of a decline in the company's profit margins. The outlook may also be affected by a major deterioration in the company's capital structure on account of large debt-funded capital expenditure or higher-than-expected working capital requirements.

About the company

AMWPL was established as a partnership firm in 1923 by the Jain and the Gupta family. In 1945, the firm was converted into a private limited company. AMWPL is engaged in manufacturing of copper and copper alloy flat rolled products such as copper and brass sheets, plates and coils. AMWPL has two manufacturing units located in Rewari, Haryana and Bhiwadi, Rajasthan.

For FY2012-13, AMWPL reported PAT of Rs.15.23 crore on operating income of Rs.590.23 crore as compared with PAT of Rs.14.98 crore on operating income of Rs.534.79 crore for FY2011-12. For H1FY13-14, AMWPL reported operating income of Rs.353.27 crore as compared with operating income of Rs.298.28 crore for the corresponding period in the previous year. AMWPL's net worth stands at Rs.84.44 crore as on March 31, 2013 as compared with Rs.71.81 crore a year earlier.

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