

November 12, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	135.00	SMERA A-/Stable (Reaffirmed)
Term Loans	18.58	SMERA A-/Stable (Reaffirmed)
Letter of Credit	45.00	SMERA A2+ (Reaffirmed)
Term Loan (proposed)	15.00	SMERA A-/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA A-**' (**read as SMERA single A minus**) and the short-term rating of '**SMERA A2+**' (**read as SMERA A two plus**) on the Rs.213.58 crore (enhanced from Rs.190.72 crore) bank facilities of Agrawal Metal Works Private Limited (AMWPL). The outlook of the long-term rating is '**Stable**'. The ratings continue to draw comfort from the company's established track record of operations, strong market position and diversified customer base. The ratings are also supported by the company's comfortable net worth and moderate leverage. However, the ratings remain constrained by the company's working capital-intensive operations. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices amidst intense competition in the non-ferrous metals industry.

Update

AMWPL reported operating profit of Rs.16.41 crore (provisional) on net sales of Rs.345.57 crore (provisional) during H1FY2014-15 (refers to period, April 01 to September 30), as compared with operating profit of Rs.18.03 crore on net sales of Rs.315.19 crore during the corresponding period of the previous year. AMWPL's operating profit margin has declined over the past 18 months on account of volatility in raw material prices. The company's operating profit margin has declined from 7.42 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 4.75 per cent in H1FY2014-15. For FY2013-14, AMWPL reported net profit of Rs.14.47 crore on net sales of Rs.631.83 crore, as compared with net profit of Rs.15.23 crore on net sales of Rs.590.17 crore in FY2012-13.

AMWPL's tangible net worth stood at Rs.98.89 crore as on March 31, 2014, as compared with Rs.84.44 crore as on March 31, 2013. The company's debt-equity ratio stood at 1.54 times as on March 31, 2014. AMWPL's interest coverage ratio deteriorated from 3.28 times in FY2012-13 to 1.93 times in H1FY2014-15 on account of decline in operating profits and increase in interest cost. The company's return on capital employed declined from 19.40 per cent in FY2012-13 to 13.54 per cent in FY2013-14 on account of capital expenditure undertaken during FY2013-14.

AMWPL's working capital requirements remained high in FY2013-14. The company had gross current assets (GCA) of 106 days in FY2013-14, as compared with GCA of 102 days a year earlier.

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However, the company's cash credit utilisation is comfortable at ~82 per cent during the 12 months ended September 30, 2014. AMWPL's fund-based working capital limits have been enhanced from Rs.126.00 crore to Rs.135.00 crore in December 2013. The company's liquidity profile is expected to remain strong in the absence of large debt-funded capital expenditure over the medium term.

Outlook: Stable

SMERA believes AMWPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established market position, diversified customer base and experienced management. The outlook may be revised to 'Positive' in case the company achieves significant improvement in profit margins while maintaining healthy revenue growth, or in case of substantial improvement in the company's capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of major deterioration in the company's financial risk profile or liquidity position.

About the company

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

For FY2013-14, AMWPL reported profit after tax (PAT) of Rs.14.47 crore on net sales of Rs.631.83 crore, as compared with PAT of Rs.15.23 crore on net sales of Rs.590.17 crore in FY2012-13.

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