

November 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	135.00	SMERA A-/Stable (Reaffirmed)
Term Loans	21.22	SMERA A-/Stable (Reaffirmed)
Letter of Credit	30.00	SMERA A2+ (Reaffirmed)
Cash Credit (proposed)	20.00	SMERA A-/Stable (Assigned)

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.186.22 crore bank facilities of Agrawal Metal Works Private Limited (AMWPL). SMERA has also assigned the long-term rating of '**SMERA A-**' to the Rs.20.00 crore proposed bank facilities of AMWPL. The outlook 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 healthy net worth, moderate leverage and strong liquidity position. 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 EBITDA of Rs.24.43 crore (provisional) on net sales of Rs.358.18 crore (provisional) during H1FY2015-16 (refers to period, April 01 to September 30), as compared with EBITDA of Rs.17.35 crore on net sales of Rs.345.56 crore during the corresponding period of the previous year. AMWPL's operating profit margin is expected to improve by ~100-125 basis points (bps) in FY2015-16 over the previous year mainly on account of higher capacity utilization and better realization of its products. For FY2014-15, AMWPL reported net profit of Rs.6.88 crore on net sales of Rs.673.05 crore, as compared with net profit of Rs.14.47 crore on net sales of Rs.631.83 crore in FY2013-14. The company is expected to report net profit of ~Rs.15-16 crore on net sales of ~Rs.750 crore in FY2015-16.

AMWPL's tangible net worth stood at Rs.105.54 crore as on March 31, 2015, as compared with Rs.98.89 crore as on March 31, 2014. The company's debt-equity ratio stood at 1.71 times as on March 31, 2015. AMWPL's interest coverage ratio deteriorated from 2.59 times in FY2013-14 to 2.01 times in FY2014-15 on account of decline in operating profit and increase in interest cost. SMERA expects the interest coverage ratio of the company to improve significantly in FY2015-16 with increase in operating profit margin and marginal increase in interest cost over the previous financial year. AMWPL's return on capital employed (RoCE) declined to 10.60 per cent in FY2014-15 from 13.54 per cent in the previous year mainly on account of capital expenditure undertaken

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during FY2014–15. SMERA expects the company's RoCE to be maintained at ~12-13 per cent in the medium term.

AMWPL's working capital requirements remained high in FY2014–15. The company had gross current assets (GCA) of 115 days in FY2014–15, as compared with GCA of 106 days a year earlier. However, the company's liquidity profile has remained strong in the past twelve months. AMWPL's cash credit utilisation is comfortable at ~83 per cent during the 12 months ended September 30, 2015. The company's fund-based working capital limits are expected to increase from Rs.135.00 crore to Rs.155.00 crore in the current financial year. Despite additional working capital debt of Rs.20.00 crore, the company's financial risk profile is likely to remain strong, backed by healthy accretion to reserves and 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. AMWPL has an installed capacity of 25,780 metrics tonnes per annum (PY: 24,000 MTPA).

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