

## Press Release

### Agrawal Metal Works Private Limited (AMWPL)

12 January, 2017

### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.206.22 Cr
<b>Long Term Rating</b>	SMERA A-/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A2+ (Reaffirmed)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has reaffirmed the rating of **SMERA A- (read as SMERA A minus)** and short term rating of **SMERA A2+ (read as SMERA A two plus)** on the Rs.206.22 crore bank facilities of Agrawal Metal Works Private Limited (AMWPL). The outlook is '**Stable**'.

AMWPL is engaged in the manufacture of copper, brass and bronze sheets. The company, promoted by Mr Jain (Haryana), Mr Gupta (Mumbai) and their respective families is engaged in the manufacture of copper, brass and bronze sheets. AMWPL is headed by Mr. Devender Kumar Jain, Managing Director, who possesses over three decades of experience in the metals industry.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management and healthy scale of operations:** SMERA believes that the company will continue to benefit from the extensive experience of the management. Besides, the company has long operational track record of over nine decades which continues to reflect in the consistent growth in revenue. AMWPL reported operating income of Rs.713.08 crore in FY2016 as against Rs.673.05 crore in FY2015. SMERA expects the same to continue over the medium term on account of the 3000 Metric Tonne (MT) capacity expansion plan undertaken by the company.

**Healthy financial risk profile:** The ratings also derive comfort from the healthy financial risk profile marked by improvement in gearing and comfortable debt protection metrics. The debt-equity ratio improved to 1.46 times on 31st March, 2016 from 1.71 times on 31st March, 2015 on account of healthy internal accruals generated by the company. The Net Cash Accruals (NCA) increased to Rs.12.12 crore in FY2016 from Rs.6.88 crore in FY2015. SMERA also takes note of the improvement in interest coverage ratio to 2.54 times in FY2016 from 2.01 times in FY2015. This is on account of decline in total debt to Rs.170.01 crore on 31st March, 2016 from 180.33 crore on 31st March, 2015.

#### Weaknesses:

**Modest profitability indicators:** AMWPL reported modest gross profit margin of 5.97 per cent in FY2016 as compared to 5.24 per cent in FY2015. SMERA expects profitability margins to improve over the medium term on account of economies of scale and continued increase in scale of operations.

**Exposure to volatility in metal prices:** The operating cash flows are expected to remain susceptible to volatility in raw material (non-ferrous metal) prices. Any adverse movement in metal prices can result in cash flow mis-matches vis-à-vis AMWPL's debt servicing requirements.

**Analytical approach:** SMERA has considered the standalone business and financial risk profile of the company.

**Applicable Criteria:**

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook: Stable**

SMERA believes AMWPL will maintain a 'Stable' outlook on account of its well established market position and healthy financial risk profile. The outlook may be revised to 'Positive', in case of improvement in profitability indicators, without stretching the working capital cycle. Conversely, the outlook may be revised to 'Negative', in case of deterioration in the working capital cycle and/or substantial increase in gearing.

**About the Company**

AMWPL was established as a partnership firm in 1923 and converted to private limited in 1945. The company, promoted by the Jain family of Rewari, Haryana and the Gupta family of Mumbai, Maharashtra is engaged in the manufacture of copper, brass and bronze sheets.

The company reported net profit of Rs.12.12 crore on operating income of Rs.713.08 crore in FY2015–16, as compared to profit after tax (PAT) of Rs.6.88 crore on operating income of Rs.673.05 crore in FY2014–15.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	145.00	SMERA A- /Stable (Reaffirmed)	-	-	06 Nov, 2015	SMERA A- /Stable (Reaffirmed)	12, Nov, 2014	SMERA A- /Stable (Reaffirmed)
Term Loan	LT	2.52	SMERA A- /Stable (Reaffirmed)	-	-	06 Nov, 2015	SMERA A- /Stable (Reaffirmed)	12, Nov, 2014	SMERA A- /Stable (Reaffirmed)
Term Loan	LT	7.32	SMERA A- /Stable (Reaffirmed)	-	-	06 Nov, 2015	SMERA A- /Stable (Reaffirmed)	12, Nov, 2014	SMERA A- /Stable (Reaffirmed)
Term Loan	LT	17.00	SMERA A- /Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	30.00	SMERA A2+ (Reaffirmed)	-	-	06 Nov, 2015	SMERA A2+ (Reaffirmed)	12, Nov, 2014	SMERA A2+ (Reaffirmed)
Proposed Cash Credit	LT	4.38	SMERA A- /Stable (Reaffirmed)	-	-	06 Nov, 2015	SMERA A- /Stable (Assigned)	-	-
Proposed Term Loan	LT	-	-	-	-	-	-	12, Nov, 2014	SMERA A- /Stable (Reaffirmed)

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	145.00	SMERA A-/Stable (Reaffirmed)
Term Loan	N.A	N.A	30 September, 2017	2.52	SMERA A-/Stable (Reaffirmed)
Term Loan	N.A	N.A	28 February, 2020	7.32	SMERA A-/Stable (Reaffirmed)
Term Loan	N.A	N.A	31 March, 2021	17.00	SMERA A-/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A	30.00	SMERA A2+ (Reaffirmed)
Proposed Cash Credit	N.A	N.A	N.A	4.38	SMERA A-/Stable (Reaffirmed)

**Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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