

Press Release

Agrawal Metal Works Private Limited (AMWPL)

28 February, 2018



Rating Upgraded, Assigned and Withdrawn

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.221.22 Cr. (Enhanced from Rs. 206.22 Cr.) |
| Long Term Rating | SMERA A /Outlook: Stable (Upgraded from SMERA A-/Stable) |
| Short Term Rating | SMERA A1 (Upgraded from SMERA A2+) |

**Refer annexure for details*

SMERA has upgraded the long term rating to **'SMERA A' (read as SMERA A)** from **'SMERA A-' (read as SMERA A minus)** and short term rating to **'SMERA A1' (read as SMERA A one)** from **'SMERA A2+' (read as SMERA A two plus)** on the Rs. 195.72 cr. bank facilities of Agrawal Metal Works Private Limited (AMWPL). The outlook is **'Stable'**.

SMERA has assigned the long term rating of **'SMERA A' (read as SMERA A)** and short term rating of **'SMERA A1' (read as SMERA A one)** on the Rs. 25.50 cr. bank facilities of Agrawal Metal Works Private Limited (AMWPL). The outlook is **'Stable'**.

Further SMERA has withdrawn long term rating of **'SMERA A-' (read as SMERA A minus)** and short term rating of **'SMERA A2+' (read as SMERA A two plus)** on the Rs. 28.02 crore bank facilities of Agrawal Metal Works Private Limited (AMWPL).

Agrawal Metal Works Private Limited (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. Davinder Kumar Jain, Managing Director, who possesses over three decades of experience in the metals industry.

The upgrade is in view of significant growth in revenues along with profitability margins of the company. AMWPL's EBITDA margin has improved to 8.30 percent in FY2017 from 5.97 percent in FY2016 on account of decline in the raw material prices. The rating also derives comfort from the healthy financial risk profile marked by improvement in gearing and comfortable debt protection metrics. The company has increased its installed capacity from 25000 MT to 30000 MT. SMERA believes going ahead the firm will sustain the growth in revenues and profitability margins over the medium term.

Key rating drivers

Strengths

Established track record of operations and experienced management

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. The current management includes third and fourth generation entrepreneurs from the Jain and Gupta Family. The company has well established relationship with customers and suppliers. AMWPL has reputed customers such as Havell's India Limited, Novateur Elec & Digital Private Limited, Minda Silca Engineering Private Limited to name a few. The long track-record of operations has also enabled the company to report a healthy scale of operations marked by operating income of Rs. 735.05 crore in FY2017 as against Rs. 713.08 crore in FY2016.

Healthy financial risk profile

The rating also derives comfort from the healthy financial risk profile marked by improvement in gearing and comfortable debt protection metrics. The company has healthy networth of Rs.138.20 crore as on 31 March 2017 as compared to Rs.116.50 crore as on 31 March 2016. The debt-equity ratio stood at 1.24 times as on 31 March 2017 as compared to 1.71 times as on 31 March 2016 on account of healthy internal accruals generated by the company. SMERA also takes note of the improvement in interest coverage ratio to 3.80 times in FY2017 from 2.54 times in FY2016. Further the debt service coverage ratio of the company stood at 2.09 times for FY2017 as compared to 1.43 times for FY2016. The improvement in debt protection metrics is primarily on account of higher EBITDA margin reported by the company in FY2017. AMWPL has generated net cash accruals of Rs.36.49 crore in FY2017 against 21.74 crore in FY2016.

Improving profitability margins

AMWPL's EBITDA margin has improved to 8.30 percent in FY2017 from 5.97 percent in FY2016 on account of decline in the raw material prices. Further the PAT margin stood at 3.00 percent in FY2017 as compared to 1.70 percent in FY2016. SMERA expects profitability margins to improve over the medium term on account of economies of scale and continued increase in scale of operations.

Weaknesses

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 mismatches vis-à-vis AMWPL's debt servicing requirements.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of AMWPL to arrive at the rating.

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 Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 735.05 | 713.08 | 673.05 |
| EBITDA | Rs. Cr. | 61.02 | 42.54 | 35.25 |
| PAT | Rs. Cr. | 22.09 | 12.12 | 6.88 |
| EBITDA Margin | (%) | 8.30 | 5.97 | 5.24 |
| PAT Margin | (%) | 3.00 | 1.70 | 1.02 |
| ROCE | (%) | 16.66 | 12.81 | 10.60 |
| Total Debt/Tangible Net Worth | Times | 1.24 | 1.46 | 1.71 |
| PBDIT/Interest | Times | 3.80 | 2.54 | 2.01 |
| Total Debt/PBDIT | Times | 2.61 | 3.60 | 4.77 |
| Gross Current Assets (Days) | Days | 106 | 118 | 115 |

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

Not Applicable

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|--------------------------------|
| 12-Jan-2017 | Cash Credit | Long Term | 145.00 | SMERA A- / Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.52 | SMERA A- / Stable (Reaffirmed) |
| | Term Loan | Long Term | 7.32 | SMERA A- / Stable (Reaffirmed) |

| | | | | |
|-------------|----------------------|------------|--------|--------------------------------|
| | Term Loan | Long Term | 17.00 | SMERA A- / Stable (Assigned) |
| | Letter of Credit | Short Term | 30.00 | SMERA A2+ (Reaffirmed) |
| | Proposed Cash Credit | Long Term | 4.38 | SMERA A- / Stable (Reaffirmed) |
| 06-Nov-2015 | Cash Credit | Long Term | 135.00 | SMERA A- / Stable (Reaffirmed) |
| | Term Loan | Long Term | 21.22 | SMERA A- / Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 30.00 | SMERA A- / Stable (Reaffirmed) |
| | Proposed Cash Credit | Long Term | 20.00 | SMERA A- / Stable (Assigned) |
| 12-Nov-2014 | Cash Credit | Long Term | 135.00 | SMERA A- / Stable (Reaffirmed) |
| | Term Loan | Long Term | 18.58 | SMERA A- / Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 45.00 | SMERA A2+ (Reaffirmed) |
| | Proposed Term Loan | Long Term | 15.00 | SMERA A- / Stable (Reaffirmed) |

Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|---------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 63.50 | SMERA A/Stable (Upgraded) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 13.24 | SMERA A/Stable (Upgraded) |

| | | | | | |
|----------------------|----------------|----------------|----------------|-------|----------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 30.00 | SMERA A/Stable (Upgraded) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 16.50 | SMERA A/Stable (Withdrawn) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | SMERA A/Stable (Upgraded) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 15.00 | SMERA A/Stable (Upgraded) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 2.52 | SMERA A/Stable (Withdrawn) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 5.06 | SMERA A/Stable (Upgraded) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 16.50 | SMERA A/Stable (Assigned) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 12.00 | SMERA A1 (Upgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA A1 (Upgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA A1 (Withdrawn) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA A1 (Assigned) |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 27.92 | SMERA A/Stable (Upgraded) |

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ABOUT SMERA

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