

October 31, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	27.65*	SMERA B+/ Stable (downgraded from SMERA BB-/ Stable)
Term Loan	4.15	SMERA B+/ Stable (downgraded from SMERA BB-/ Stable)
Standby Line of Credit	2.00	SMERA A4 (downgraded from SMERA A4+)
Bank Guarantee	1.00**	SMERA A4 (downgraded from SMERA A4+)

*Includes ILC/FLC as sublimit to the extent of Rs.10.00 crore

**Extendable up to Rs.4.00 crore by reducing proportionate limit of Cash Credit facility

SMERA has downgraded the ratings on the abovementioned bank facilities of Pami Metals Private Limited (PMPL) to '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) from 'SMERA BB-/Stable/SMERA A4+'. The outlook is '**Stable**'. The downgrade reflects sharp deterioration in the company's working capital cycle and liquidity position. The ratings are constrained by the company's moderate-scale operations in an intensely competitive segment of the non-ferrous metals industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material (copper) prices. However, the ratings are supported by the company's long track record of operations, experienced management and established associations with reputed customers.

Update

PMPL doubled its installed capacity in the copper division to 1,200 metric tonnes per annum (MTPA) after undertaking capex of Rs.4.91 crore towards purchase of plant and machinery in FY2012-13 (refers to financial year, April 01 to March 31). Although PMPL has registered growth in revenues on the back of enhanced production capacity, the company's working capital requirements have increased substantially. PMPL's inventory holding has increased from 91 days in FY2011-12 to 121 days in FY2012-13 and 131 days in FY2013-14 on account of low offtake resulting from stalled projects in the power sector (major end-user industry). The company's working capital cycle has thus deteriorated from 89 days in FY2011-12 to 123 days in FY2012-13 and 143 days in FY2013-14. PMPL's stretched liquidity position is evidenced by high average utilisation (~97.50 per cent) of working capital limit during February 2014 to September 2014. The company has registered negative operating cash flows during the period under study. PMPL's gearing (debt-equity ratio) remains high at 2.35 times as on March 31, 2014.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

PMPL registered net profit of Rs.1.56 crore on total income of Rs.81.93 crore in FY2013-14, as compared with net profit of Rs.1.14 crore on total income of Rs.61.55 crore in FY2012-13. The company's net worth stood at Rs.14.76 crore as on March 31, 2014, as compared with Rs.12.23 crore a year earlier.

Outlook: Stable

SMERA believes PMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its long track record of operations, experienced management and established associations with reputed customers. Revival in the power sector with faster regulatory approvals for stalled projects will be a credit positive for the company. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while achieving improvement in working capital management and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's profit margins and cash accruals, or in case of deterioration in the company's working capital cycle, liquidity position or financial risk profile.

About the company

PMPL, incorporated in 1989, is a Kolkata-based company promoted by Mr. Gopi Kishan Damani and Mr. Rajesh Gopi Kishan Damani. PMPL manufactures copper components, copper extrusions and fabricated sheet metals. The company also undertakes assembling of high tension panels. PMPL mainly caters to power and automobile sectors. The company has two manufacturing and assembly units, one in Kolkata (Paschim Banga) and the other in Vadodara (Gujarat). The combined installed capacity of the two units is 1,200 MTPA for copper components and 3,000 MTPA for high tension panels.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development, Mid Corporate Tel: +91 22 6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.