



SMERA RATINGS LIMITED

# Garima Vikas Metals Private Limited (GVMPL)

*Rating  
Rationale*

January 09, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.20	SMERA C / (Assigned)
Term Loan	6.35	SMERA C / (Assigned)
Bills Discounting	5.00	SMERA A4/(Assigned)
Bank Guarantee	0.75	SMERA A4/(Assigned)
Letter of Credit	0.50	SMERA A4/(Assigned)

SMERA has assigned ratings of '**SMERA C**' (read as **SMERA C**) to the Rs.18.55 crore fund based bank facilities and '**SMERA A4**' (read as **SMERA A Four**) to the Rs.1.25 crore non-fund based bank facilities of Garima Vikas Metals Private Limited (GVMPL). The ratings are primarily constrained by the company's weak financial risk profile marked by operating losses and high leverage. The ratings are further constrained by the company's exposure to volatility in raw material prices and cyclicity in the auto industry. However, the ratings are supported by the company's experienced management.

GVMPL is engaged in manufacturing of high precision castings used in the automobile sector. The company has registered operating losses over the last three years. Moreover, the company's leverage is high at 4.09 times as on March 31, 2013.

GVMPL is exposed to high volatility in raw material prices. The company's key inputs include pig iron and steel scrap, which account for about 55 per cent of the cost of production. Although the company maintains a price escalation clause in its contracts, there is a lag in implementing the price hikes. Moreover, the company may not be able to pass on the entire increase in raw material cost to its customers. GVMPL mainly caters to the automobile industry, which is cyclical in nature. The company has recently entered into a technical collaboration with Hitachi which will diversify its product and enhance the manufacturing capabilities with support of Hitachi.

Mr. Praveen Agarwal, Director of GVMPL, has more than three decades of experience in the castings industry and is responsible for the overall operations of the company. Mr. Abhimanyu Sharaff

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SMERA RATINGS LIMITED

## Garima Vikas Metals Private Limited (GVMPL)

*Rating  
Rationale*

(Director of GVMPL and son-in-law of Mr. Praveen Agarwal) has more than ten years of experience in the castings industry and is responsible for assisting with the overall operations of the company.

### Rating sensitivity factors

- Benefits derived from the technical collaboration with Hitachi.
- Company's ability to reduce losses while maintaining leverage at comfortable levels.

### About the company

GVMPL (formerly known as Garima Overseas Private Limited) was incorporated in 2005 by Mr. Dinesh Parasrampur, Mr. Rakesh Akar, Mr. Vineet Jain and Mr. Ramakrishnan. In 2011, the company was acquired by Mr. Praveen Agarwal. At present, the overall operations of the company are managed by Mr. Praveen Agarwal and Mr. Abhimanyu Sharaff (son-in-law of Mr. Praveen Agarwal).

GVMPL is engaged in manufacturing of high precision castings made of ferrous and non-ferrous alloys. The company mainly caters to the automobile sector. GVMPL has an installed manufacturing capacity of 9,000 MTPA (current utilization being 47 per cent). GVMPL's administrative office is located in New Delhi. The company has a factory unit in Neemrana, Rajasthan.

For FY2012-13, GVMPL reported net loss of Rs.5.81 crore on operating income of Rs.21.39 crore as compared with net loss of Rs.3.63 crore on operating income of Rs.12.72 crore for FY2011-12. The company's net worth stands at Rs. 7.96 crore as on March 31, 2013.

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