

January 23, 2014

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit*</b>	<b>6.00</b>	<b>SMERA BB-/Stable (Assigned)</b>

*\*Interchangeable (to the extent of Rs.3.50 crore) with import letter of credit*

SMERA has assigned a long-term rating of '**SMERA BB-/Stable**' (read as **SMERA Double B minus**) to the above-mentioned bank facilities of Marim Impex (India) Private Limited (MIPL). The outlook is '**Stable**'. The rating is constrained by the company's moderate scale of operations and low net profit margin amidst intense competition prevalent in the iron and steel industry. The rating is also constrained by the susceptibility of the company's profit margins to volatility in prices of traded goods and fluctuations in foreign exchange rates. Further, the rating factors in the company's high leverage and moderate interest coverage ratio. The aforementioned weaknesses are partially offset by the company's established track record of operations, experienced management and comfortable liquidity position.

MIPL, established in 1988, is a New Delhi-based company engaged in trading of iron and mild steel products such as coils, sheets and strips. MIPL has a moderate operating scale with net sales of Rs.56.82 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.55 per cent in FY2012-13. MIPL faces intense competition from several large and small-sized players in the iron and steel industry. The company's profit margins are susceptible to fluctuation in prices of traded goods. MIPL's profit margins are also exposed to foreign exchange fluctuation risk as the company imports material from Germany and Belgium. MIPL's leverage is high at 3.09 times as on March 31, 2013. The company's interest coverage ratio is moderate at 1.92 times in FY2012-13.

MIPL benefits from its experienced management. Mr. Shaid Qureshi and Mr. Danish Qureshi, directors of MIPL, have around three decade of experience in the company's line of business.

MIPL has a comfortable liquidity position as reflected in average cash credit limit utilisation of 40 per cent during July 01, 2013 to December 15, 2013. The company's operating cycle and collection period span 31 days and 4 days, respectively, in FY2012-13.

### **Outlook: Stable**

SMERA believes MIPL will maintain a moderate business risk profile in the medium term on the back of its experienced management and established relationships with customers. The outlook may be revised to 'Positive' in case the company expands its scale of operations while achieving better profitability and working capital management. Conversely, the outlook may be revised to

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'Negative' in case of further stretch in the company's working capital cycle or in case of deterioration in the company's capital structure.

### About the company

MIPL, established in 1988, is a New Delhi-based company promoted by Mr. Shaid Qureshi and Mr. Danish Qureshi. MIPL is engaged in trading of iron and mild steel products.

For FY2012–13, MIPL reported PAT of Rs.0.31 crore on operating income of Rs.56.82 crore, as compared with PAT of Rs.0.19 crore on operating income of Rs.41.62 crore for FY2011–12. The company's net worth stood at Rs.6.74 crore as on March 31, 2013, as compared with Rs.5.83 crore a year earlier.

Media/ Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher, Head, Sales (Corporate Ratings) Tel :+91-22-67141193 Cell : +91 9819136541 Email: <a href="mailto:sanjay.kher@smera.in">sanjay.kher@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Mr. Umesh Nihalani Head, Corporate Ratings Tel: +91-22-6714 1106 Email: <a href="mailto:umesh.nihalani@smera.in">umesh.nihalani@smera.in</a>	Tel: +91-22-6714 1170 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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