

March 18, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>7.50</b>	<b>SMERA B/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>1.50</b>	<b>SMERA A4 (Assigned)</b>
<b>Bank Guarantee</b>	<b>1.00</b>	<b>SMERA A4 (Assigned)</b>

SMERA has assigned ratings of '**SMERA B**' (**read as SMERA single B**) and '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of Nirav Metals Private Limited (NMPL). The outlook is '**Stable**'. The ratings are constrained by the company's small operating scale and low profitability amidst intense competition prevalent in the metal trading industry. The ratings are further constrained by the company's working capital-intensive operations and negative operating cash flows. However, the ratings derive comfort from the company's experienced management and moderate gearing.

NMPL, incorporated in 1991, is a Mumbai-based company engaged in trading of stainless steel products. NMPL has a small operating scale reflected in revenues of Rs.27.12 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.77 per cent in FY2012-13. Moreover, the company's net profit (of Rs.0.21 crore in FY2012-13) is largely supported by interest income of Rs.0.23 crore. NMPL operates in a highly competitive environment, which limits the company's bargaining power against customers. NMPL's working capital cycle is stretched at 130 days in FY2012-13. The company reported negative operating cash flows in FY2012-13 due to increase in working capital requirements.

NMPL benefits from its experienced management. Mr. Vijay Jha, director of NMPL, has over three decades of experience in the metal trading industry. NMPL has moderate gearing reflected in total outside liabilities to tangible net worth (TOL/TNW) ratio of 1.70 times as on March 31, 2013.

### Outlook: Stable

SMERA believes the outlook on NMPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company expands its scale of operations while maintaining a satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

### About the company

NMPL, incorporated in 1991, is a Mumbai-based company promoted by Mr. Vijay Jha. NMPL is engaged in trading of stainless steel products.

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For FY2012-13, NMPL reported net profit of Rs.0.21 crore on total income of Rs.27.12 crore, as compared with net profit of Rs.0.19 crore on total income of Rs.20.75 crore for FY2011-12. Further, NMPL registered revenues of Rs.25.29 crore during April 2013 to February 2014. The company's net worth stood at Rs.5.80 crore as on March 31, 2013, as compared with Rs.5.59 crore a year earlier.

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