



SMERA RATINGS LIMITED

PBI Metals Private Limited (PMPL)**Rating
Rationale****April 09, 2014**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-** (read as **SMERA single B minus**)' to the Rs.20.00 crore bank facility of PBI Metals Private Limited (PMPL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial profile and low profit margins. The rating is also constrained by the company's exposure to intense competition. However, the rating is supported by the company's entitlement to tax benefits. The rating is also supported by the company's large installed manufacturing capacity.

PMPL, established in 2008, is a Jammu-based company engaged in manufacturing of copper rods. PMPL's operating profit margin is low at 1.09 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The company's weak financial risk profile is marked by high overall leverage (total liabilities-to-tangible net worth ratio) of 4.57 times as on March 31, 2013 and low interest coverage ratio of 1.35 times in FY2012-13. PMPL's net worth is low at Rs.4.00 crore as on March 31, 2013. The company operates in an intensely competitive segment of the copper industry.

PMPL is entitled to tax benefits (income tax exemption and excise duty exemption) available in Jammu & Kashmir. The company has large installed manufacturing capacity of ~12,000 metric tonnes per annum (MTPA).

Outlook: Stable

SMERA believes PMPL will maintain a moderate business risk profile in the medium term on the back of its established operations. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the company

PMPL, incorporated in 2008, is a Jammu-based company promoted by Mr. A. K. Puri. PMPL is engaged in manufacturing of copper rods (of 8 mm size).

For FY2012-13, PMPL reported net profit of Rs.0.31 crore on operating income of Rs.293.51 crore, as compared with net loss of Rs.2.91 crore on operating income of Rs.162.52 crore for FY2011-12. The company's net worth stood at Rs.4.00 crore as on March 31, 2013, as compared with Rs2.93 crore a year earlier.

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