

May 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA B-/Stable (Assigned)
Letter of Credit	1.50	SMERA A4 (Assigned)
Bank Guarantee	0.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as SMERA single B minus) and '**SMERA A4**' (read as SMERA A four) to the abovementioned bank facilities of Apex Agency (AAG). The outlook is '**Stable**'. The ratings are constrained by the firm's moderate operating scale and low profitability in an intensely competitive segment of the non-ferrous metals industry. The ratings are also constrained by the firm's weak financial profile marked by high gearing (debt-to-capital ratio) and moderate liquidity position. The ratings factor in the risks related to substantial advances made by the firm to related entities. The ratings also factor in the risks associated with the firm's proprietorship constitution. However, the ratings are supported by the firm's experienced management.

AAG, established in 2006, is a Chennai-based proprietorship firm engaged in trading of various non-ferrous metals, including zinc and copper. AAG is a channel partner of Hindustan Zinc Limited. The firm is also engaged in trading of iron and galvanized iron (GI) structures. AAG has moderate-scale operations reflected in revenues of Rs.56.80 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm faces intense competition from several players engaged in trading of non-ferrous metals. AAG reported low net profit margin of 0.40 per cent in FY2012-13. The firm's gearing (debt-to-capital ratio) is high at 2.15 times as on March 31, 2013. Further, AAG has made advances of Rs.1.22 crore (~50 per cent of the firm's capital of Rs.2.42 crore as on March 31, 2013) to related entities. AAG's average utilisation of cash credit limit is moderate at ~89.50 per cent during the period September 2013 to February 2014. The firm's financial risk profile is susceptible to withdrawal of capital, which is an inherent risk in proprietorship firms.

AAG benefits from its experienced management. Mr. Bhaskar Gupta, proprietor of AAG, has around three decades of experience in the non-ferrous metals industry.

### Outlook: Stable

SMERA believes the outlook on AAG's rated facility will remain stable over the medium term. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving a comfortable liquidity position and satisfactory capital structure.

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Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial profile.

### About the firm

AAG, established in 2006, is a Chennai-based proprietorship firm promoted by Mr. Bhaskar Guptha. AAG is engaged in trading of non-ferrous metals, iron and galvanized iron structures. The firm mainly caters to metal galvanizing units, power transmission companies, infrastructure development companies and telecom sector.

For FY2012-13, AAG reported net profit of Rs.0.22 crore on total income of Rs.56.80 crore, as compared with net profit of Rs.0.25 crore on total income of Rs.96.27 crore for FY2011-12. Further, the firm registered revenue of Rs.47.89 crore (provisional) in FY2013-14. AAG's capital stood at Rs.2.42 crore as on March 31, 2013, as compared with Rs.1.85 crore a year earlier.

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