

July 10, 2015

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

SMERA has upgraded the long term rating of Apex Agency (AAG) to '**SMERA B+**' (**read as SMERA single B plus**) from '**SMERA B-**' and reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**). The outlook is '**Stable**'. The upgrade is in view of the significant growth in revenues and comfortable working capital management of the firm. The ratings are further supported by the firm's experienced management. However, the ratings remain constrained by AAG's low profitability in an intensely competitive segment of the non-ferrous metals industry and below average financial risk profile. The ratings also factor in the risks associated with the firm's proprietorship constitution.

Update

AAG's revenues increased to Rs.81.33 crore in FY2014-15 (provisional) from Rs.48.40 crore in FY2013-14 (refers to financial year, April 01 to March 31) registering a growth of around 68 per cent. The firm's operating margin remained low at 2.38 per cent (provisional) in FY2014-15 as compared to 2.47 per cent in FY2013-14. Further, net profit margin stood low at 0.55 per cent in FY2013-14.

AAG's tangible net worth remained low at Rs.2.96 crore (provisional) as on March 31, 2015, as compared to Rs.2.84 crore a year earlier. The gearing ratio stood high at 2.11 times (provisional) as on March 31, 2015 as compared to 1.57 times a year earlier. The firm's interest coverage ratio stood low at 1.22 times (provisional) in FY2014-15.

AAG's working capital cycle has improved to 23 days (provisional) in FY2014-15 as compared to 42 days in FY2013-14. The firm's working capital limit utilisation is moderate at ~80 per cent from February 2015 to June 2015. The firm's financial risk profile remains susceptible to withdrawal of capital, which is an inherent risk in proprietorship firms.

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

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About the Firm

AAG, established in 2006, is a Chennai-based proprietorship firm promoted by Mr. Bhaskar Guptha. The firm is a channel partner of Hindustan Zinc Limited for trading of zinc ingots and plates. The firm mainly caters to metal galvanizing units, power transmission companies, infrastructure development companies and the telecom sector.

For FY2013-14, AAG reported net profit of Rs.0.26 crore on total income of Rs.48.40 crore, as compared with net profit of Rs.0.22 crore on total income of Rs.56.80 crore for FY2012-13. Further, the firm registered revenue of Rs.81.33 crore (provisional) in FY2014-15. AAG's capital stood at Rs.2.84 crore as on March 31, 2014, as compared with Rs.2.42 crore a year earlier.

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