

May 27, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.60	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA Single B minus**) to the above mentioned bank facility of White Metals (WM). The outlook is '**Stable**'. The rating is constrained by the firm's short track record of operations and moderate operating scale amidst intense competition prevalent in the construction equipment industry. The rating is further constrained by the firm's low profit margins a weak financial risk profile. However, the rating is supported by the firm's experienced management.

WM, established in 2009, is a Delhi-based proprietorship firm engaged in trading of construction equipment, including couplers, rapid clans and jacks. WM has moderate-scale operations reflected in revenues of Rs.59.15 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm faces intense competition from several players in the unorganized sector of the construction equipment industry. WM's net profit margin is low at 0.17 per cent in FY2012-13.

WM's gearing (debt-to-capital ratio) is low at 0.28 times as on March 31, 2013. However, the firm has availed cash credit facility of Rs.7.60 crore in November 2013 and the average utilisation of cash credit limit is high at ~98 per cent during November 2013 to February 2014. WM's capital structure is thus expected to be highly leveraged going forward. The firm's debt protection metrics are also likely to weaken.

WM benefits from its experienced management. Mr. Sunny Kalra, proprietor of WM, has around ten years of experience in the construction equipment industry.

Outlook: Stable

SMERA believes WM will maintain a stable business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profit margins while achieving better working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the firm's working capital cycle, or in case of deterioration in the firm's capital structure.

About the firm

WM, established in 2009, is a Delhi-based proprietorship firm promoted by Mr. Sunny Kalra. WM is engaged in trading of construction equipment.

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SMERA RATINGS LIMITED

White Metals (WM)

Rating Rationale

For FY2012-13, WM reported PAT of Rs.0.10 crore on operating income of Rs.59.15 crore, as compared with PAT of Rs.0.09 crore on operating income of Rs.57.87 crore for FY2011-12. The firm's net worth stood at Rs.1.41 crore as on March 31, 2013, as compared with Rs.1.33 crore a year earlier.

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