

Rating Rationale

SMW Metal Pvt. Ltd.

11 July 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of SMW Metal Pvt. Ltd.

Particulars

Facility	Tenure	Amount to be rated	Rating Assigned [^]
SOD	Long Term	5.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
Letter of Credit	Short Term	30.00	BWR A3 (Pronounced as BWR Single A Three)
Total		35.00	Rupees Thirty Five Crore only

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results upto FY17, unaudited financial results for FY18, projections upto FY20, publicly available information and information/clarifications from SMW Metal Pvt. Ltd. ('the Company').

The ratings draw comfort from the long standing industry experience of the Company's promoter, long standing relations with customers and suppliers and planned equity infusion in FY19 & FY20. The ratings are, however, constrained by relatively high gearing, low profitability margins and inherent risk associated with trading business.

Going forward, achieving projections in term of sale, equity infusion and improving profitability margins would be the key rating sensitivities.

Credit Strengths:

- **Experience of Promoters:** The promoter of the company, Shri Mohinder Jain, is the first generation entrepreneur and has an experience of more than 3 decades in the industry. The second generation, Mr. Adish Jain has also joined the business.

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- **Long term relation with customers:** Owing to their long presence in the industry, the promoters have also been able to establish long term ties with the customers as well as suppliers. The company is dealing with some of the customers from past 10-15 years and the suppliers include reputed name such as Hindalco, Nalco, Balco, Vedanta group, etc.
- **Planned equity infusion in FY19:** In order to grow, the promoters of the company are planning to invest in the equity by converting Unsecured Loan of Rs. 14.45 Cr in FY19. Further they are also planning to infuse fresh equity of Rs. 4.00 Cr in FY20.

Credit Weaknesses:

- **High gearing:** The gearing ratio, as depicted by Total Debt/ TNW, has been on a higher side. The same has been at 2.69x in FY18 (Provisional) as compared to 2.84x in FY17. To mitigate the same, the promoters are infusing funds in the FY19.
- **Low profitability margins:** The profitability margins are low owing to the trading nature of operations. However, the Net Profit margin and Operating Profit margin have improved from 0.25% and 1.23% in FY16 to 0.31% and 1.70% respectively in FY17. The margins have further improved to 0.39% and 1.80% in FY18 (Provisional). Improvement in margins is due to lower operating cost.
- **Inherent risk:** The company is engaged in only trading business and is not into any value addition activity. The business form has its own set of limitations and shortcomings.

Rating Outlook: Stable

BWR believes the SMW Metal Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

SMW Metal Pvt Ltd was set up a private limited company in 1996 with its registered office in Delhi. The company was promoted by Mr. Mohinder Jain who is acting as a Director. The other director in the company is Mr. Adish Jain. The company is engaged in trading of Aluminium, prime Metals, Scrap and extrusion. It is registered under ISO 9001 and 2008. The company is not engaged in imports and exports and 100% of the sales and purchases are done domestically. The company's suppliers list includes some renowned named e.g. Hindalco, Nalco, Balco, Vedanta, etc. 90% of the orders of the company are from repeat customers and are placed back to back. The company has another group company, JP Engineers Pvt Ltd, which is also engaged in same line of business.

Company's Financial Performance

	Unit	FY17 (Aud.)	FY18 (Prov.)
Net Sales/ Revenues	Rs. in Cr	362.83	301.45
EBIDTA	Rs. in Cr	6.15	5.41
PAT	Rs. in Cr	1.12	1.16
Tangible Net Worth (Analyzed)	Rs. in Cr	25.96	37.85
TOL/ TNW (Analyzed)	Times	5.24	2.14
Current Ratio	Times	1.29	1.54

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	SOD	Long Term	5.00	BWR BBB- Outlook : Stable	NA	NA	NA
2	Letter of Credit	Short Term	30.00	BWR A3	NA	NA	NA
			Rs. 35 Crores (Rupees Thirty Five Crore only)				

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

[Approach to Financial Ratios](#)

[General Criteria](#)

[Trading Entities](#)

[Short Term Debt](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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