Rating Rationale

18 Jun 2019

S R Metallizers

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 14.81 Crores of S R Metallizers (hereinafter referred as "SRM" or the "Firm").

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	14.81	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable
Total	14.81	INR Fourteen Crores & Eighty One lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, Management certified provisional financials of FY19, Projected/estimated financials upto FY22 and Publicly available information /clarifications provided by the management.

The rating derives strength from the extensive experience of promoters in the industry for more than four decades, Y-O-Y growth in revenues, comfortable liquidity position and healthy relationship with customers. However, the rating continues to remain constrained on account of weak financial risk profile and working capital intensive nature of operations. Further, the rating remains constrained owing to intense competition and vulnerability to profit margins due to fluctuations in the raw material prices and inherent risk associated with partnership nature of constitution.

Going forward, the Firm's ability to improve operations, efficient management of working capital cycle, timely repayment of debt obligation will remain key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths :

- **Experienced management:** SRM's management has an industry experience of over four decades. The

promoters have also demonstrated the ability to improve operations by adopting latest technologies. The firm is being managed by Mr. Parasmal Ranka & Family.

- **Growth in revenues** : The firm has reported total operating income of Rs.59.55 Crs in FY18 against TOI of Rs. 53.03 Crs in FY17. The revenue improved by 49.46% i.e Rs. 79.26 Crs in FY19 as per management certified provisional financials. SRM also benefits from diversified customer base in industries like ; Textiles, Packaging, Industrial Specialities, Electric etc. Further, the revenue is expected to increase on the back of capital expenditure carried out by the firm.

- **Comfortable liquidity position** : The current ratio of the firm stood at 2.66 times during FY18 against 3.03 times in FY17. The utilization of working capital has remained average in last 6 months and net cash accruals are in line with debt obligations.

Credit Risks:

- **Weak financial risk profile** : The firm's gearing was high at 5.14 times in FY18 and 8.51 times in FY17, marked by low tangible net worth of Rs. 3.98 Crs as on 31st March, 2018. Further increase in the debt level may put pressure on financial profile of the firm. However, the debt protection metrics are comfortable with ISCR at 2.09 times and DSCR at 1.18 times in FY18 on account of improved profits.

- **Susceptibility of profitability margins to fluctuations in the prices of raw material :** The basic raw materials required by SRM are aluminium wire and polyester films. Polyester film pricing is linked to crude pricing. Hence any adverse movement/volatility crude prices, also impacts the prices of Polyester films materials. SRM partly imports its raw material from China. Thus, it is exposed to adverse fluctuations in foreign currency exchange rates. The firm faces intense competition with few small and large players aggressively expanding capacities over the last few years, resulting in realization pressure.

- I**nherent risks being a partnership firm** - Being a partnership firm, it is vulnerable to capital withdrawals by the partners.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **S R Metallizers** 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 Firm

S R Metallizers was established in 2011 by Mr Parasmal Ranka and family members to manufacture metallic poly films/yarns (Badla Jari) used in embroidery work and as a packaging material. The firm is

part of Ajmer (Rajasthan) based Ranka Group.

The manufacturing facility is situated at Surat, a textile hub of Gujarat, with an installed capacity of 7200 MTPA. Current capacity utilization is 85%. The firm has proposed to install an advanced technology machine (Korean Make) , with a capital expenditure of Rs. 4.02 Crs.

Financial Performance

In FY18, the firm reported a net profit of Rs. 0.74 crore on an operating income of Rs. 59.55 crore, as compared to a net profit of Rs. 0.09 crore on an operating income of Rs. 53.03 crore in FY17. The firm has achieved an operating income of Rs. 79.26 crore (provisional) for the year ending 31st March, 2019.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	59.55	53.03
EBITDA	₹ Cr	5.33	5.52
PAT	₹ Cr	0.74	0.09
Tangible Net worth	₹ Cr	3.96	2.69
Total Debt/Tangible Net worth	Times	5.14	8.51
Current Ratio	Times	2.66	3.03

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1 **2** **3** **4**	**Fund Based** Cash Credit Term Loan-1 Term Loan-2 Proposed Term Loan -3	Long Term	7.00* 0.52 4.28 3.01	**BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable**	**Not Rated**	**Not Rated**	**Not Rated**
	Total		**14.81**	**₹ Fourteen Crores & Eighty One Lakhs Only**			

**Cash credit limit inclusive of proposed enhancement of Rs. 3.50 Crs.*

Status of non-cooperation with previous CRA (if applicable)- Due to unavailability of information, CARE ratings has published the rating as CARE B+ (Stable) under issuer did not cooperate category on 27 June 2018 for total debt size of Rs. 10.88 Crs.

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

For any other criteria obtain hyperlinks from website

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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.

DISCLAIMER

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