



SMERA RATINGS LIMITED

Haq Steels Private Limited (HSPL)

*Rating
Rationale*

September 08, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	22.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Cash Credit	18.00*	SMERA B+/Stable (Upgraded from SMERA B/Stable)

**Includes letter of credit as a sublimit to the extent of Rs.10.00 crore, bank guarantee as a sublimit to the extent of Rs.2.50 crore and forward contract limit as a sublimit to the extent of Rs.0.20 crore*

SMERA has upgraded the rating of the above mentioned long term bank facilities of Haq Steels Private Limited (HSPL) to '**SMERA B+**' (read as **SMERA B plus**) from 'SMERA B' (read as SMERA B).

The rating upgrade takes into account the improvement in HSPL's business risk profile driven by strong ramp up in revenues during 2015-16, post commencement of operations. The rating upgrade also factors in the consequent expected improvement in HSPL's liquidity and financial risk profile.

The rating continues to draw support from the company's experienced management. However, the rating remains constrained by the high gearing level and the risks associated with cyclicalities in the end-user industry - real estate.

Update

HSPL commenced operations in December 2014 and has witnessed sharp ramp up in revenues since commencement. During the five months ended August'2015, the company has recorded revenues of Rs. 62.80 Crore (as against Rs. 9.42 Crore in FY2014-15), driven by improved capacity utilization. SMERA expects the company to sustain the growth momentum, driven by further improvement in capacity utilisation. The company's liquidity remains adequate for the rating category marked by adequate cash accruals in relation debt obligations and funding support from the promoters.

Rating Sensitivity Factors

- Sustained improvement in revenues and profitability
- Capital expenditure (Capex) plans and its funding pattern
- Deterioration in working capital management

Outlook: Stable

SMERA believes that HSPL would continue to benefit over the medium term from the company's experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues and profit margins leading to improvement in financial risk profile,

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

particularly capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers lower cash accruals, or if the company incurs any debt funded capex leading to further deterioration in the company's capital structure and financial risk profile.

About the Company

HSPL, incorporated in February 2013 is an Ahmedabad-based company promoted by Mr. Inamulhaq Iraki and Mr. Rushabh Shah who have been in this industry for over two decades. The company derives its revenues from manufacture of thermo mechanically treated (TMT) bars and billets.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.