

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 cyclical 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,

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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.

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