

Press Release

Shree Mahavir Roll Tech Limited

September 04, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.04 Cr.
Long Term Rating	SMERA D
Short Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA D' (read as SMERA D)** and short term rating of '**SMERA D' (read as SMERA D)** on the Rs. 9.04 crore bank facilities of Shree Mahavir Roll Tech Limited.

Incorporated in 2010, the Surat -based Shree Mahavir Roll Tech Limited (SMRTL) was promoted by Mr. Vipul Shah and Mr. Pradeep Kumar Biravat. The company manufactures steel castings at its foundry at Surat. The installed capacity is 300 MT per month.

Key Rating Drivers**Strengths**

- Experienced management**

The promoters, Mr. Vipul Shah and Mr. Pradeep Kumar Biravat possess experience of around two decades in the steel industry.

Weaknesses

- Working capital intensive operations**

SMRTL has working capital intensive operations marked by high gross current assets of around 179 days in FY2016 (PY:144 days) on account of high receivables of 111 days (PY:113 days).

- Delays in debt servicing**

The rating reflects on-going irregularities in the repayment of principal and interest on the term loan in the last three months on account of stretched liquidity position.

- Small scale of operations**

SMRTL has small scale of operations with operating income of Rs. 15.63 crore in FY2016 as against Rs. 14.78 crore in FY2015. In FY2017 (Provisional), the company booked revenue of Rs. 7.66 crore. The steep decline in revenues in FY2017 was on account of change in the line of business from manufacturing of TMT bars to casting of steel and alloys.

- Weak financial risk profile and liquidity**

SMRTL has weak financial risk profile marked by interest coverage ratio (ICR) of 0.75 times and debt service coverage ratio of 1.03 times in FY2016. The company has incurred continuous net losses during the period under study. The net loss stood at Rs. 0.24 crore in FY2016 as against Rs. 1.15 crore in FY2015. The net cash accruals for FY2016 stood at Rs. 0.06 crore. However, with significant fall in revenues in FY2017, the debt serviceability is expected to remain under pressure in the medium term. Further, the cash credit has been fully utilised with instances of overdrawing in the last six months.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook:

About the Rated Entity - Key Financials

For FY2015-16, the company reported net loss of Rs. 0.24 crore on operating income of Rs.15.63 crore compared to net loss of Rs. 1.15 crore on operating income of Rs. 14.78 crore in the previous year. The net worth stood at Rs.4.42 crore as on 31 March, 2016 as against Rs. 3.50 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Feb-2016	Term Loan	Long Term	INR 2.69	SMERA D
	Cash Credit	Long Term	INR 3	SMERA D
	Working Capital Term Loan (WCTL)	Long Term	INR 2	SMERA D
	Funded Interest Term Loan (FITL)	Long Term	INR 0.95	SMERA D
	Bank Guarantee	Short Term	INR 0.4	SMERA D

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA D
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA D
Term loans	Not Applicable	Not Applicable	Not Applicable	2.69	SMERA D
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA D

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA D
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ABOUT SMERA

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