

Press Release

Ahmedabad Strips Private Limited (ASPL)

April 21, 2017

Rating Reaffirmed

Total Bank Facilities Rated	Rs. 80.00 Cr* (Revised from Rs. 60.00 Cr)
Long Term Rating	SMERA BBB/Stable (Reaffirmed and Assigned)
Short Term Rating	SMERA A3+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of **SMERA A3+** (read as **SMERA A three plus**) on the Rs. 60.00 cr facilities and assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs. 20.00 cr bank facilities of Ahmedabad Strips Private Limited (ASPL). The outlook is '**Stable**'.

The Ahmedabad-based ASPL was incorporated in 1997 by CA Sudhir Goel and Mr. Satinder Gupta. The company manufactures HR/CR strips and also provides processing services such as pickling, cold reduction, annealing among others.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and established track record of operations: The company is engaged in the manufacturing of Hot Rolled/Cold Rolled Strips since 1997. The Directors, Mr C A Sudhir Goel and Mr. Satinder Gupta have more than three decades of experience in the steel industry.

Healthy relations with customers: The company has long term relations with customers owing to its long standing presence in the industry. The company has been associated with Harsha Engineers Limited (HEL) for over 14 years. HEL contributes around 24 per cent to ASPL's revenue.

Healthy financial risk profile: The healthy financial risk profile is marked by low gearing of 0.58 times as on March 31, 2016. The marginal deterioration is on account of loans availed for additional rolling units during FY2015-16. The interest coverage ratio increased to 3.30 times in FY2015-16 as against 2.59 times in FY2014-15. The debt coverage service ratio stood at 2.73 times in FY2015-16 as against 2.31 times in FY2014-15. The NCA to TD stood healthy at 0.28 times as on March 31, 2016 as against 0.38 times as on March 31, 2015. As per the bank's

sanction letter, unsecured loans from promoters and directors are subordinated to bank debt. Hence, unsecured loan of Rs. 41.98 cr has been treated as quasi as on March 31, 2016.

Improvement in profit margins: The EBIDTA margins of the company increased from 6.89 per cent in FY2014-15 to 9.57 per cent in FY2015-16. The increase in profit margins is on account on decrease in raw material prices. Going forward, the company is confident about sustaining margins with expansion of its current capacity. The company plans to install a continuous rolling machine and hydrogen furnace to reduce power and fuel costs.

Weakness

Susceptibility of margins to fluctuations in raw material prices: The profit margins are susceptible to fluctuations in the prices of raw materials.

Debt funded capex plans: The company plans to expand capacity of the existing rolling mill to 168000 MT per annum from 96000 MT per annum at a total cost of Rs. 27.00 cr to be funded by a term loan of Rs. 15.00 cr and the balance from internal accruals. Further, the company plans to add 760 mm 4 Hi Rolling Mill with an installed capacity of 48000 MT per annum.

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

Applicable Criteria

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

Outlook - Stable

SMERA believes that ASPL will maintain a Stable outlook over the medium term owing to its experienced management and diversified customer base. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case of the capacity utilisation deteriorating, increasing pressure on margins.

About the Rated Entity

The Ahmedabad-based ASPL was incorporated in 1997 by CA Sudhir Goel and Mr. Satinder Gupta. The company manufactures Hot Rolled/Cold Rolled strips and also provides processing services such as pickling, cold reduction, annealing among others. The total installed capacity of the company for manufacturing Hot Rolled/Cold Rolled strips is 96000 MT per annum. The company has added a new line of product, electric resistance welded pipes with an installed capacity of 18000 MT pa.

For FY2015-16, ASPL reported profit after tax (PAT) of Rs.10.14 cr on operating income of Rs.294.33 cr as compared with PAT of Rs. 6.74 cr on operating income of Rs. 323.15 cr for FY2014-15. The networth for FY2015-16 stood at Rs. 97.29 cr as compared to Rs. 76.78 cr in FY2014-15.

Status of non-cooperation with previous CRA: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	3.50	SMERA BBB/Stable (Reaffirmed)	Feb 29, 2016	SMERA BBB/Stable (Assigned)	-	-	-	-
Cash Credit*	Long Term	55.00	SMERA BBB/Stable (Reaffirmed)	Feb 29, 2016	SMERA BBB/Stable (Assigned)	-	-	-	-
Term Loan (Proposed)	Long Term	15.00	SMERA BBB/Stable (Assigned)	NA	NA	-	-	-	-
Cash Credit (Proposed)	Long Term	5.00	SMERA BBB/Stable (Assigned)	NA	NA	-	-	-	-
Bank Guarantee	Short Term	1.50	SMERA A3+ (Reaffirmed)	Feb 29, 2016	SMERA A3+Stable (Assigned)	-	-	-	-

*Sub Limit is BP/BD under Letter of Credit to the extent of Rs. 2.00 crore, Packing Credit to the extent of Rs. 3.00 crore, Inland/Import Letter of Credit Rs. 30.00 crore and Buyer's credit to the extent of Rs. 11.00 crore.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term Loan	NA	NA	March 2019	3.50	SMERA BBB/Stable (Reaffirmed)
Cash Credit*	NA	NA	NA	55.00	SMERA BBB/Stable (Reaffirmed)
Term Loan (Proposed)	NA	NA	NA	15.00	SMERA BBB/Stable (Assigned)
Cash Credit (proposed)	NA	NA	NA	5.00	SMERA BBB/Stable (Assigned)
Bank Guarantee	NA	NA	NA	1.50	SMERA A3+ (Reaffirmed)

**Sub Limit is BP/BD under Letter of Credit to the extent of Rs. 2.00 crore, Packing Credit to the extent of Rs. 3.00 crore, Inland/Import Letter of Credit Rs. 30.00 crore and Buyer's credit to the extent of Rs. 11.00 crore.*

***sublimit of Cash credit is WCDL to the extent of Rs.4.00 crore, Bank Guarantee Rs.1.00 crore, EPC/PCFC Rs.3.00 crore, LC Rs.8.00 crore and Buyer's credit Rs. 8.00 crore.*

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Hina Gupta, Rating Analyst, Tel: 022-67141111 Email: hina.gupta@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.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.