

Press Release

Ahmedabad Strips Private Limited

14 March, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 80.00Cr.
Long Term Rating	SMERA BBB+/Outlook: Stable (Upgraded from SMERA BBB/Stable)
Short Term Rating	SMERA A2 (Upgraded from SMERA A3+)

**Refer annexure for details*

SMERA has upgraded the long term rating to '**SMERA BBB+**' (read as **SMERA triple B plus**) from '**SMERA BBB**' (read as **SMERA triple B**) and short term rating to '**SMERA A2**' (read as **SMERA A two**) from '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 66.43 crore bank facilities. SMERA has assigned long term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the Rs. 13.57 crore bank facilities of Ahmedabad Strips Private Limited (ASPL). The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenues of the company. SMERA believes that going ahead, the company will sustain growth and profitability margins over the medium term.

The Gujarat-based ASPL was incorporated in 1997 by promoters Mr. 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. It has current capacity of 168000 MT per annum, an increase from 96000 MT per annum.

Key rating drivers

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. Sudhir Goel and Mr. Satinder Gupta have more than three decades of experience in the steel industry.

The longstanding presence in the industry coupled with quality product has translated into healthy relations with reputed customers as well as suppliers. The company has been catering to Harsha Engineers Limited (HEL) and Thermax Limited for over 14 years.

Healthy financial risk profile

ASPL has healthy financial risk profile marked by tangible net worth of Rs. 114.71 crore as on 31 March, 2017 as against Rs. 97.29 crore as on 31 March, 2016. This includes unsecured loan of Rs.49.31 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at

0.62 times as on 31 March, 2017 as against 0.58 times as on 31 March 2016. The debt of Rs. 70.72 crore mainly consists of term loans of Rs.7.62 crore, and working capital borrowings of Rs. 63.10 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 2.53 times in FY2017 as against 3.30 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.89 times for FY2017 as against 2.73 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.70 times as on 31 March, 2017. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on 31 March, 2017 as against 0.28 times as on 31 March, 2016. Going forward, SMERA expects the financial risk profile to improve marginally in the absence of major debt funded capex plans in the medium term.

Healthy revenue growth

The operating income of ASPL stood at Rs. 389.18 crore as on 31 March, 2017 as against Rs. 294.33 crore as on 31 March, 2016. Further, during the period April 2017 to January 2018, the company registered gross revenue of ~Rs. 421.74 crore. Going forward, SMERA expects the revenues to increase in the medium term on account of increased plant capacity.

Weaknesses

Working capital intensive operations

ASPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 146 days in FY2017 compared to 156 days in FY2016. The GCA days are mainly dominated by high inventory of 58 days in FY2017 compared to 75 days in FY2016. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

ASPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ASPL to arrive at the rating.

Outlook – Stable

SMERA believes that ASPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	389.18	294.33	323.15
EBITDA	Rs. Cr.	35.21	28.16	22.25
PAT	Rs. Cr.	10.09	10.14	6.74

EBITDA Margin	(%)	9.05	9.57	6.89
PAT Margin	(%)	2.59	3.45	2.08
ROCE	(%)	16.94	17.90	18.24
Total Debt/Tangible Net Worth	Times	0.62	0.58	0.39
PBDIT/Interest	Times	2.53	3.30	2.59
Total Debt/PBDIT	Times	1.99	1.98	1.32
Gross Current Assets (Days)	Days	146	156	98

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

None

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
21-Apr, 2017	Cash Credit#	Long Term	55.00	SMERA BBB/ Stable (Reaffirmed)
	Term Loans	Long Term	3.50	SMERA BBB/ Stable (Reaffirmed)
	Term Loan (Proposed)	Long Term	15.00	SMERA BBB/ Stable (Assigned)
	Cash Credit (Proposed)	Long Term	5.00	SMERA BBB/ Stable (Assigned)
	Bank Guarantee	Short Term	1.50	SMERA A3+ (Reaffirmed)
29-Feb, 2016	Cash Credit#	Long Term	55.00	SMERA BBB/ Stable (Assigned)

	Term Loans	Long Term	3.50	SMERA BBB/ Stable (Assigned)
	Bank Guarantee	Short Term	1.50	SMERA A3+ (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/Outlook
Cash Credit#	Not Applicable	Not Applicable	Not Applicable	60.00 (Enhanced from Rs. 55.00 crore)	SMERA BBB+/Stable (Upgraded from SMERA BBB/ Stable)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.43 (Revised from Rs. 3.50 crore)	SMERA BBB+/Stable (Upgraded from SMERA BBB/ Stable)
Term Loans	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB+/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	4.57	SMERA BBB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00 (Enhanced from Rs. 1.50 crore)	SMERA A2 (Upgraded from SMERA A3+)

#sublimit of Cash credit is BP/BD under LC to extent of Rs. 3.00 crore, Packing Credit to extent of Rs 3.00 crore, Inland/Import LC to extent of Rs. 30.00 crore and Buyer's credit Rs. 11.00 crore.

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ABOUT SMERA

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