

**Press Release**  
**Ahmedabad Strips Private Limited**

August 25, 2020



**Rating Withdrawn**

<b>Total Bank Facilities Rated*</b>	Rs.80.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB+(Withdrawn)
<b>Short Term Rating</b>	ACUITE A2(Withdrawn)

\* Refer Annexure for details

**Rating Rationale**

Acuité has withdrawn the long term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.80.00 cr. bank facilities of Ahmedabad Strips Private Limited (ASPL).

The rating is being withdrawn on account of request received from the company and No dues certificate received from the banker.

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.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**• Experienced management**

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 15 years.

**• Healthy financial risk profile**

ASPL has healthy financial risk profile marked by tangible net worth of Rs.166.04 crore as on 31 March 2020 (Provisional) as against Rs.146.04 crore as on 31 March 2019. This includes an unsecured loan of Rs.78.16 crore as on 31 March 2020 (Provisional) considered as quasi-equity. The adjusted gearing stood at 0.59 times as on 31 March 2020 (Provisional) as against 0.58 times as on 31 March 2019. The debt of Rs.98.00 crore mainly consists of term loans of Rs.8.79 crore, unsecured loans of Rs25.00 crore and working capital borrowings of Rs.64.22 crore as on 31 March 2020 (Provisional). The Interest Coverage Ratio (ICR) stood at 1.74 times in FY2020 (Provisional) as against 2.05 times in FY2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.66 times as on 31 March, 2019(Provisional).

**Weaknesses**

**• Working capital intensive operations**

ASPL's has a moderate working capital cycle marked by Gross Current Asset (GCA) of 105 days in FY2020 (Provisional) compared to 104 days in FY2019. The GCA days are mainly dominated by an inventory of 51 days and debtors of 56 days in FY2020 (Provisional). The average cash credit utilisation for the past six months stood at ~70 percent. Acuité believes that 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

#### **Liquidity position: Adequate**

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals in the range of Rs.14- Rs.17 crore over the last three years ended FY2020 while its repayment obligations were around Rs.5.00 crore. The company's working capital operations are moderately marked by Gross Current Asset (GCA) days of 105 days for FY2020 (Provisional). ASPL maintains unencumbered cash and bank balances of Rs.0.14 crore as on 31 March 2020 (Provisional).

#### **Rating Sensitivities**

Not Applicable

#### **Material Covenants**

None

#### **About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	581.23	616.98
PAT	Rs. Cr.	6.46	7.08
PAT Margin	(%)	1.11	1.15
Total Debt/Tangible Net Worth	Times	0.59	0.58
PBDIT/Interest	Times	1.74	2.05

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

None

#### **Any other information**

None

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

#### **Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
31-May-19	Cash Credit	Long term	60.00	ACUITE BBB+/Stable (Reaffirmed)
	Term loans	Long term	15.00	ACUITE BBB+/Stable (Reaffirmed)
	Term loans	Long term	3.50	ACUITE BBB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
14-Mar-18	Cash Credit	Long term	60.00	ACUITE BBB+/Stable (Upgraded)
	Term loans	Long term	1.43	ACUITE BBB+/Stable (Upgraded)
	Term loans	Long term	9.00	ACUITE BBB+/Stable (Assigned)
	Term loans	Long term	4.57	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Upgraded)

21-Apr-17	Term loans	Long term	3.50	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long term	55.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Term loans	Long term	15.00	ACUITE BBB/Stable (Assigned)
	Proposed Cash Credit	Long term	5.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A3+ (Reaffirmed)

**\*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	ACUITE BBB+ (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB+ (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A2 (Withdrawn)

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**About Acuité Ratings & Research:**

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