

## Press Release

### Supra Steel and Power Private Limited

August 02, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 13.00 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 13.00 crore bank facilities of Supra Steel And Power Private Limited. The outlook is '**Stable**'.

Supra Steel and Power Private Limited (SSPPL) was established in 2005 by Mrs. Lakshmikumari Alaparthi, Mr.Kode Satya Prasad, Mr. Jayarama Shetty Sooral and Mr.Ravikiran Kode. The company is engaged in the manufacturing of sponge iron and has installed capacity of 150 TPD. The manufacturing facility is located at Ballari, Karnataka.

### Key Rating Drivers

#### Strengths

- **Experienced management**

SSPPL has been in operation since 2005. The director, Mrs. Lakshmikumari Alaparthi, Mr.Kode Satya Prasad, Mr. Jayarama Shetty Sooral and Mr.Ravikiran Kode, have experience of more than a decade in the iron and steel industry.

- **Average financial risk profile**

SSPPL's average financial risk profile is marked by modest net worth of Rs.11.06 crore in FY2016 an increase from Rs.10.86 crore in FY2015 mainly due to retention of profit. The gearing stands moderate at 1.25 times in FY2016 as against 1.18 times in FY2015. The interest coverage ratio stood moderate at 1.56 times and debt service coverage ratio at 1.60 times in FY2016. The NCA/TD stood at 0.07 times in FY 2016.

#### Weaknesses

- **Declining revenue Y-O-Y**

The company's revenue has shown a declining trend during the period under study. The revenue was low at Rs.7.77 crore in FY2016 as against Rs.10.69 crore in FY2015 owing to shut down of production for six months due to maintenance. The revenue declined in FY2015 to Rs.10.69 crore from Rs.14.24 crore in FY2014, on account of fall in raw material prices. The company registered Rs.33.20 crore in FY2017 (Provisional).

- **Working capital intensive operations:**

SSPPL's working capital intensive operations are marked by high GCA days of 10.98 days in FY2016 compared to 581 days in FY2015. This is mainly due to high inventory days of 1411 in FY2016 as against 674 days in FY2015. The high inventory days are due to the non- operational track record of the company in FY2016.

#### Analytical Approach

SMERA has considered standalone financial and business risk profile of SSPPL

### Outlook: Stable

SMERA believes that SSPPL will maintain a stable outlook in the medium term on account of its experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile and working capital management.

### About the Rated Entity - Key Financials

For FY2015-16, SSPPL reported profit after tax (PAT) of Rs 0.20 crore on total operating income of Rs.7.77 crore, compared with PAT of Rs.0.23 crore on total operating income of Rs.10.69 crore in FY2014-16.

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

NA

### Any other information

NA

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Not Applicable

### \*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	13.00	SMERA B / Stable

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