

### Sharda Shree Ispat Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	25.00	SMERA BB-/Stable (Assigned)
Cash Credit	4.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.30.00 crore bank facilities of Sharda Shree Ispat Limited (SSIL).The outlook is '**Stable**'.

The ratings are supported by the promoter's extensive experience in the steel industry, moderate financial risk profile and healthy improvement in revenues. However, the ratings are constrained by customer concentration risk since it majorly deals in job work for TATA. Also, the company has huge debt and plans to mitigate the risk with healthy NCA to repay the loan.

SSIL's modest scale of operations is marked by moderate topline at Rs.56.02 crore in FY2014-15 as compared with Rs.42.90 crore in FY2013-14. The moderate financial profile is marked by moderate gearing of 1.67 times in FY2014-15 as compared with 2.05 times in FY2013-14. The profit after tax margins were 9.75 per cent in FY2014-15 as against 6.44 per cent in FY2013-14.

The company was promoted by Maheshwari, Sarda, and Daga families who possess experience of over three decades in the steel manufacturing industry. The moderate financial risk profile is marked by healthy operating margins and addition of capital of Rs.10.00 crore in FY2014.

#### Outlook: Stable

SMERA believes SSIL will maintain a moderate business risk profile in the medium term owing to the established operations and extensive experience of the promoter. The outlook may be revised to 'Positive' in case of significant improvement in revenues and accruals. Conversely, the outlook may be revised to 'Negative' if there exists significant deterioration in profitability and accruals or the company undertakes any large capex.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

#### About the Company:

The Nagpur-based SSIL was incorporated in 2006 by Maheshwari, Sarda, and Daga families. The company is engaged in the manufacture of thermo-mechanically-treated (TMT) bars largely for Tata Steel Limited, Monnet Steel and Energy Ltd as also for the private sector and the government.

For FY2014-15, the company reported PAT of Rs.5.29 crore on operating income of Rs.54.24 crore, as compared with profit after tax (PAT) of Rs.2.72 crore on operating income of Rs.42.20 crore in FY2014. The net worth stood at Rs.31.40 crore as on March 31, 2015 against Rs.26.12 crore a year earlier.



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**ABOUT SMERA**

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