



Press Release

Sharda Shree Ispat Limited

August 14, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Sharda Shree Ispat Limited. The outlook is '**Stable**'.

The Nagpur-based Sharda Shree Ispat Limited (SSIL), incorporated in 2006 by Mr. Nandkishore Sarda and Mr. Ramnivas Sarda is engaged in the manufacture of thermo-mechanically-treated (TMT) bars. The company has installed capacity of 2,50,000 MT per annum and caters to Tata Steel Limited, Monnet Steel and Energy Ltd among others. The promoter families have been in the steel manufacturing industry for over 30 years.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

SSIL was established in 2006 by Mr. Nandkishore Sarda and Mr. Ramnivas Sarda at Nagpur (Maharashtra). The promoter families have been in the steel manufacturing industry for over 30 years.

- **Healthy financial risk profile**

SSIL has healthy financial risk profile marked by networth of Rs.47.65 crore as on 31 March, 2017 (Provisional) as compared to Rs.38.78 crore as on 31 March 2016. The debt to equity ratio stood at 0.51 times as on 31 March, 2017 (Provisional) as against 0.91 times as on 31 March, 2016. Further, the interest coverage ratio stood at 5.70 times for FY2016-17 as against 3.49 times for FY2015-16.

- **Healthy operating margins**

The company has healthy operating margins marked by EBITDA of 39.20 per cent in FY2016-17 (Provisional) and 34.27 per cent in FY2015-16. Further, the PAT margins have been healthy at 16.28 per cent in FY2016-17 (Provisional) as against 12.08 per cent in FY2015-16.

Weaknesses

- **Customer concentration**

The company solely deals with TATA Steels for job work and hence is exposed to risk of customer concentration.

- **Moderate scale of operations**

The company has moderate scale of operations marked by revenue of Rs.54.49 crore in FY2017 (Provisional) compared to Rs.61.12 crore in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profile.

Outlook: Stable

SMERA believes that SSIL will maintain a stable outlook in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in revenues and accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and accruals or if the company takes on a large capex.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.8.87 crore on operating income of Rs.54.49 crore, compared with PAT of Rs.7.38 crore on operating income of Rs.61.12 crore in FY2016. The net worth stood at Rs.47.65 crore as on 31 March, 2017 (Provisional) against Rs.38.78 crore a year earlier.

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

None

Any other information

None

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jun-2016	Term Loan	Long Term	INR 25	SMERA BB- / Stable
	Cash Credit	Long Term	INR 4.5	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB- / Stable

Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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ABOUT SMERA

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