

### Supreme Heatreaters Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	21.00*	SMERA BB/Stable (Assigned)
Term Loan	1.65	SMERA BB/Stable (Assigned)
Term Loan	3.00	SMERA BB/Stable (Assigned)
Bank Guarantee	0.10	SMERA A4+ (Assigned)
Letter of Credit	19.25	SMERA A4+ (Assigned)

\*includes EPC and FBP as a sublimit of CC to the extent of Rs 2.00 crore each

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) on the above mentioned bank facilities of Supreme Heatreaters Private Limited (SHPL). The outlook is '**Stable**'. The ratings draw comfort from the long track record of operations, qualified and experienced management and healthy revenue growth. The ratings are also supported by the average financial risk profile. However, the ratings are constrained by the competitive and fragmented industry and working capital intensive operations. The ratings also factor in the susceptibility of profit margins to fluctuations in raw material prices.

SHPL is engaged in the processing of steel and manufacturing of steel coils, bars since 1987. The company benefits from the extensive experience of its management. The revenue increased at a moderate pace from Rs.78.81 crore in FY2014-15 to Rs.104.38 crore in FY2015-16 (CA certified). The financial risk profile has been moderate marked by gearing of 0.37 times and interest coverage ratio of 1.81 times for FY2015-16. The tangible net worth of Rs.61.73 crore includes unsecured loans of Rs 49.24 crore that are subordinated to bank debt as on March 31, 2016.

However, SHPL operates in a highly fragmented industry. The operations are working capital intensive evident from the working capital cycle ranging from 80 to 100 days. The inventory days have been high at around 160 and the bank limit utilisation has been around 90 per cent for six months ended May 2016. Further, the profit margins are susceptible to volatility in raw material prices, majorly steel.

#### Rating Sensitivity Factors

- Volatility in raw material prices
- Efficient working capital management
- Scaling up operations while maintaining profitability

#### Outlook-Stable

SMERA believes that SHPL will maintain a Stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

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

- Manufacturing Entities

### About the Company

Established in 1987, the Navi Mumbai based SHPL is engaged in steel processing which entails annealing of wire rods, pickling, drawing among others. The company has two units in Khopoli.

For FY2015–16, SHPL reported net profit of Rs.2.03 crore on operating income of Rs.104.38 crore, as compared with profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.78.81 crore in FY2014–15.

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### ABOUT SMERA

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