



## Press Release

Sharp Tanks & Structural Private Limited

May 30, 2024

## Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.50	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	1.35	Not Applicable   Withdrawn	-
Bank Loan Ratings	96.50	-	ACUITE A4+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	121.35	-	-

## Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 120.00 crore of bank facilities of Sharp Tanks and Structural Private Limited. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Further, Acuite has withdrawn its long-term rating on Rs 1.35 crore bank loan facilities without assigning any rating of Sharp Tanks and Structural Private Limited. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NDC (No Due Certificate) received from the banker.

## Rationale for rating Reaffirmation

The reaffirmation of the rating takes into account the healthy growth in operating income in FY2023 to Rs.251.59 cr. against Rs. 207.38 cr. in FY2022. The operating profit margin improved to 4.59% in FY2023 as compared to 3.47% in FY2022. The rating reaffirmation also considers the long track record of the company and long-standing experience of the promoters, which is expected to help the company to augment its revenue further.

The rating, however, is constrained on account of moderation in the financial risk profile, stretched working capital operations and presence in highly fragmented and competitive industry.

## About the Company

Incorporated in 1987, Sharp Tanks and Structurals Private Limited (STSPL) operates in construction caters to Oil Refineries, Fertilizers, Petrochemicals, Power and Steel Industries by offering services in the field of construction of Oil Storage Tanks, Ammonia Storage Tanks, LPG Storage Spheres, Gas Holders, Process Piping, Process Equipment, Structures etc. The company has a fabrication shop at Tarapur MIDC Industrial Area, with 44000 sq. ft. area for fabrication of process equipment and obtained approval from CCOE, Nagpur, for fabrication of Pressure vessels under SMPV (U) Rules, 1981. The Present Directors of the company are Mr. Vishal Chaudhary and Mr. Srinath Ramakkrushnan. The registered office of the company is in Andheri.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of Sharp Tanks & Structurals Private Limited to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Strong business risk profile supported by integrated nature of operations**

The operations of the firm remained modest despite a healthy growth of 21.32% in FY23 with an operating income to Rs. 251.59 crore from Rs. 207.38 crore in FY22. In FY2024 (provisional), the company has reported revenues of Rs. 366.07 crore, marking 45.50% growth from revenues in FY2023. The operating profit margin of the company stood at 4.59% in FY23 as compared to 3.47% in FY22. The company reported net losses of Rs.0.39 cr. in FY2023 as compared to profit in Rs.1.91 cr. in FY22. The current order book position of the company stood at Rs. 965.09 Crore as on March 2024 end. The company's order book remains healthy at 3.72 times of its operating income in FY2023. This provides a near to medium term revenue visibility. The management expects the revenues to grow by 20-25% p.a. going forward.

### Weaknesses

#### **Moderation in the financial risk profile**

The financial risk profile of the firm has moderated marked by moderate net worth, moderate capital structure and debt protection metrics. The tangible net worth of the firm stood at Rs. 37.20 crore as on March 31, 2023 from Rs. 37.77 crore in March 31, 2022. The total debt of the firm increased at Rs. 56.41 Cr. as on March 31, 2023 as against Rs. 24.87 crore in March 31, 2022. The debt profile of the firm comprises of short term borrowings of Rs. 37.02 crore of secured loans, and Rs. 19.39 crore of unsecured loans as on March 31, 2023. The capital structure of the entity remains moderate and has deteriorated with the gearing of 1.52 times in FY23 as against 0.66 times in FY22 due to increase in the total debt due to increase in order book value and revenue. The TOL/TNW deteriorated to 5.05 times in FY23 as against 2.08 times in FY22 and 1.54 times in FY21. The debt protection metrics despite decline stood healthy as reflected by debt service coverage ratio and interest service coverage ratio declined by 1.49 times in FY23 compared to 1.86 times in FY22 and 1.28 times in FY23 compared to 5.32 times in FY22 respectively.

#### **Working capital management**

The Gross Current Assets of the company has deteriorated as GCA days of 266 days for FY2023 compared against 161 days for FY2022. The inventory days stood at 6 days as on 31st March 2023 as against 13 days as on 31st March 2022. There is also an improvement in debtor days as it stood at 46 days as on 31st March 2023 as against 61 days as on 31st March 2022. Creditor days have inclined to 177 days as on 31st March 2023 from 84 days as on 31st March

2022.

### **Rating Sensitivities**

Not Applicable

### **Liquidity Position**

#### **Adequate**

Sharp Tanks and Structural Private Limited has an adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.37 crore during FY2023. There remains a buffer in the cash credit limit as reflected by an average utilized at 79.87 percent for the last six month period ended April, 2024.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	251.59	207.38
PAT	Rs. Cr.	(0.39)	1.91
PAT Margin	(%)	(0.16)	0.92
Total Debt/Tangible Net Worth	Times	1.52	0.66
PBDIT/Interest	Times	1.49	1.86

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

Not Applicable

## 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Oct 2023	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	31.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+   Stable)
	Cash Credit	Long Term	13.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+   Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A2)
	Term Loan	Long Term	1.35	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+   Stable)
07 Jul 2022	Bank Guarantee (BLR)	Short Term	31.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	1.35	ACUITE BBB+   Stable (Reaffirmed)
02 Mar 2022	Bank Guarantee (BLR)	Short Term	31.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	13.50	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Term Loan	Long Term	1.35	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.50	ACUITE A4+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A4+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A4+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+   Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.50	ACUITE BB+   Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+   Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2023	Simple	1.35	Not Applicable   Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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