

### Advance Steel & Tube Mills: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA B-/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as **SMERA B minus**) and '**SMERA A4**' (read as **SMERA A4**) to the above mentioned bank facilities of Advance Steel & Tube Mills (ASTM). The outlook is '**Stable**'.

The ratings are constrained by the small scale of operations, declining revenues, average financial risk profile and working capital intensive business. Further, the ratings also note the inherent risk of capital withdrawal due to the partnership constitution of the firm. However, the ratings are supported by the long operational track record and experienced management.

ASTM is engaged in the manufacture of stainless steel seamless and welded pipes and tubes. The firm's operating income fell to Rs.7.22 crore in FY2015-16 from Rs.15.28 crore in FY2014-15 due to weak demand in the end user industry. ASTM's business is largely tender based.

The financial risk profile is average marked by tangible net worth of Rs.4.16 crore as on March 31,2016. Further, the rating notes the partnership constitution of the firm, which entails risk of capital withdrawal. The debt-to-equity ratio stood at 2.52 times in FY2015-16 as against 2.80 times in FY2014-15. The interest coverage ratio stood at 1.29 times in FY2015-16 as against 1.56 times in FY2014-15.

The firm's operations are working capital intensive due to stretched debtors and high inventory holding. The debtor days are stretched to 255 days in FY2015-16, while inventory holding is high at 474 days in FY2015-16. The cash credit limit has been fully utilised in the last six months ended September 2016.

However, the Mumbai-based ASTM was established in 2001. The firm was promoted by Mr. Mukesh P. Purohit and Mr. Rakesh P. Purohit who possess over two decades of experience in the metal industry.

### Rating Sensitivity Factors

- Improvement in scale of operations and profit margins
- Movement in capital structure and coverage indicators
- Efficient working capital management

### Outlook-Stable

SMERA believes that ASTM will maintain a Stable outlook and benefit from its experienced management in the medium term. The outlook may be revised to 'Positive' if the firm registers improvement in scale of operations while sustaining healthy profit margins. 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 Firm**

The Mumbai-based ASTM, established in 2001 is a part of the Purohit Group. Promoted by Mr. Rakesh Purohit and Mr. Mukesh Purohit, Partners, the firm is engaged in the manufacture of stainless steel seamless and welded pipes and tubes.

For FY2015–16, the firm reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.7.22 crore, as compared with net profit of Rs.0.29 crore on operating income of Rs.15.28 crore in FY2014–15. The net worth stood at Rs.4.16 crore as on March 31, 2016 as compared with Rs.4.06 crore, a year earlier.

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**ABOUT SMERA**

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