

Sada Shiv Ispat Private Limited: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.00	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B**' (**read as SMERA B**) to the Rs.7.00 crore bank facility of Sada Shiv Ispat Private Limited (SIPL). The outlook is '**Stable**'. The rating is constrained by the company's small scale of operations in an intensely competitive segment of the steel industry. The rating also factors in the low profit margins and moderate financial risk profile. However the rating is supported by the experienced management.

SIPL, established in 1997, is a Chandigarh-based company engaged in the manufacture of alloy steel. The company has small scale of operations marked by operating income of Rs.29.26 crore in FY2015-16 as against operating income of Rs.22.57 in FY2014-15. SIPL operates in an intensely competitive segment of the steel industry. The net profit margin has been low at 0.39 per cent in FY2015-16 as compared to 0.37 per cent in FY2014-15. The company's moderate financial risk profile is evident in the moderate gearing of 2.28 times as on March 31, 2016 as against 1.91 times as on 31 March, 2015 and low interest coverage ratio of 1.23 times in FY2015-16 as compared to 1.41 times in FY2014-15.

SIPL benefits from its experienced management. The directors of the company have around two decades of experience in the steel industry.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in working capital cycle

Outlook-Stable

SMERA believes SIPL will maintain a stable outlook 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 improvement in operations, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Chandigarh-based SIPL, incorporated on 01 July 1997 is engaged in the manufacture of alloy steel. The Directors, Mr. Sumit Garg and Mr. Sunny Garg possess experience of over a decade in the same line of business.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.11 crore on operating income of Rs.29.26 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.22.57 crore in FY2014-15. The net worth stood at Rs.4.33 crore as on March 31, 2016 against Rs.4.22 crore a year earlier.

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ABOUT SMERA

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