

Aryavrata Steel Private Limited (ASPL)

Aryavrata Steel Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit (Proposed)	13.00	SMERA BB+/Stable (Assigned)
Bank Guarantee (Proposed)	2.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) on the Rs.13.00 crore long term bank facility and '**SMERA A4+**' (read as SMERA A four plus) on the Rs.2.00 crore short term bank facility of Aryavrata Steel Private Limited (ASPL). The outlook is '**Stable**'. The ratings are supported by the experienced management, stable growth in revenue and above average financial risk profile. However, the ratings are constrained by the working capital requirements, modest scale of operations and weak domestic demand.

ASPL, incorporated in 2003, is engaged in the manufacture of sponge iron. The company also trades in coal and iron ore. ASPL was promoted by Mr. Ashok Kumar Patwari who possesses extensive experience in the steel and iron ore industry. The company has modest scale of operations with revenue of Rs.56.70 crore in FY2016 as against Rs.51.54 crore in FY2015. The growth in operating revenue is largely due to the trading nature of operations that constitute about 65 per cent of the overall revenue.

The ratings also draw comfort from the above average financial risk profile marked by moderate net worth base of Rs.24.96 crore, comfortable debt equity of 0.39 times, interest coverage ratio of 2.14 times and NCA/TD of 0.14 times in FY2016.

However, the ratings are constrained by the working capital intensive operations marked by high gross current assets days of 230 in FY2016 mainly due to high debtor days of around 136 and inventory days of 86 in FY2016. The ratings also factors in the subdued outlook for domestic steel industry over the near to medium term.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook - Stable

SMERA believes that ASPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

About the Company

ASPL, incorporated in 2003 is engaged in the manufacture of sponge iron at Jhargram, West Bengal. The company also trades in coal and iron ore. The company was promoted by Mr Ashok Kumar Patwari and has an installed capacity of 120 TPD. ASPL mainly operates in West Bengal, Orissa and Jharkhand.

For FY2016, the company achieved net profit after tax (PAT) of Rs.0.68 crore on operating income of Rs.56.70 crore as compared with PAT of Rs.0.72 crore on operating income of Rs.51.54 crore in FY2015.

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ABOUT SMERA

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