

Press Release

Uppal Ferrocast Private Limited (UFPL)

03 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.50 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.5.50 crore bank facilities of Uppal Ferrocast Private Limited (UFPL). The outlook is '**Stable**'.

UFPL is engaged in the manufacture of ductile and grey iron castings at Hyderabad. The day-to-day operations are managed by Mr. T Sricharan Kumar.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations: The ratings draw comfort from the extensive experience of the promoters in the iron and steel industry. Established as a partnership firm in 1984 by the late Mr. T Venkata Narsimha Rao Deshmukh, the firm was reconstituted as a private limited company in 1997.

Average financial risk profile: The average financial risk profile is marked by moderate gearing, interest coverage ratio, and average debt protection measures. Debt equity stands at 1.21 times and interest coverage at 1.77 times in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) is at 0.12 times in FY2016. The net worth of the company stood at a moderate level of around Rs.4.67 crore in FY2016.

Weaknesses:

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset days of 292 days while the inventory days are high at 233 days in FY2016.

High project risk: UFPL plans to increase capacity at a cost of Rs.28.64 crore to be funded by a term loan of Rs.16.10 crore and the balance through promoter's contribution. Timely sanction of the term loan and completion of the project as per schedule would remain the key rating sensitivities.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that UFPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the iron and steel industry. The outlook may be revised to 'Positive' if UFPL achieves envisaged sales and profitability and complete its proposed project on time while efficiently managing its working capital. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in sales, profitability and registers deterioration in its financial risk profile owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

UFPL (the erstwhile Ferrocast) is a Hyderabad-based company that manufactures ductile and grey iron castings. The day-to-day operations are managed by Mr. T Sricharan Kumar.

For FY2015–16, UFPL registered Profit After Tax (PAT) of Rs.0.30 crore on operating income of Rs.14.42 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.9.57 crore in FY2014–15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.25	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Proposed	LT	0.55	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	0.50	SMERA A4 (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.20	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	4.25	SMERA B/Stable (Assigned)
Proposed	N.A	N.A	N.A	0.55	SMERA B/Stable (Assigned)
Letter Of Credit	N.A	N.A	N.A	0.50	SMERA A4 (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.20	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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