

Press Release

Shilpi Flocking Company Private Limited

April 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 15.00 crore bank facilities of Shilpi Flocking Company Private Limited. The outlook is '**Stable**'.

The Mumbai-based Shilpi Flocking Company Private Limited (SFCPL) was incorporated in 1989 by Mr. Rangbahadur Singh for processing and trading in steel products. The company is engaged in de-coiling, levelling and shearing at its steel processing facility at Kalamboli, Mumbai. The installed capacity stands at 30,000 MTPA. The company sells its products mainly to local steel companies in Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management**

SFCPL, incorporated in 1989 is led by Directors, Mr. Brijesh Singh and Mr. Rangbahadur Singh who possess over four decades of experience in the steel industry.

- **Stable operating margins**

The operating margins have been stable. The EBIDTA margins stood at 2.76 percent in FY2015-16 as against 2.48 percent in FY2014-15.

Weaknesses

- **Declining revenues**

SFCPL's revenue registered a decline in FY2015-16. The operating income stood at Rs.100.00 cr in FY2015-16 from Rs.107.93 cr in FY2014-15 on account of higher minimum import price. As per 11M FY2016-17 (Provisionals), the operating income stood at Rs.77.00 cr.

- **Below average financial risk profile**

The financial risk profile is below average marked by moderate net worth of Rs.11.81 cr as on 31 March, 2016. The networth is supported by interest free unsecured loans from directors to the tune of Rs.5.62 cr that are subordinated to bank debt. The gearing stood at 1.33 times as on 31 March, 2016 (1.03 times as on 31 March 2015) and interest coverage ratio at 1.30 times for FY2016 (1.31 times for FY2014-15).

- **Working capital intensive operations**

The operations are working capital intensive with Gross Current Assets (GCA) of 201 days on account of long receivables days of 152. The liquidity profile is stretched as the company utilises ~100 percent of its working capital limits.

- **Susceptibility of margins to fluctuations in raw material prices**

The profit margins are susceptible to volatility in raw material prices of steel. Further, the company

operates in a highly fragmented and competitive industry with large number of organised and unorganised players resulting in pressure on margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Shilpi Flocking Company Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that SFCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.60 cr on operating income of Rs.100 cr as against PAT of Rs.0.40 cr on operating income of Rs.107.93 cr in the previous year. The net worth stood at Rs.11.81 cr as on 31 March, 2016 as compared to Rs.15.30 cr as on 31 March, 2015.

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

ICRA has suspended the long-term rating of [ICRA]B+ (pronounced ICRA B plus) and the short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 15.00 crore fund-based and non-fund based limits of Shilpi Flocking Co Private Limited (SFCPL) dated May, 2016. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+ / Stable

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