



Press Release

Aditya Ultra Steel Private Limited

July 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.51 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.51 crore bank facilities of Aditya Ultra Steel Private Limited. The outlook is '**Stable**'.

The Gujarat-based Aditya Ultra Steel Private Limited (AUSPL) was incorporated in 2011. The company is engaged in the manufacturing of TMT Bars and has installed capacity of 1,20,000 metric tonnes per annum. The operations are managed by Mr. Manoj Jain and his son, Mr. Varun Jain.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Varun Kr. Jain and others have over two decades of experience in the iron and steel industry.

- **Moderate financial risk profile**

The financial risk profile is marked by modest network, comfortable gearing levels and modest debt protection measures. The network levels stood at Rs. 13.80 crore on 31 March, 2017 as against Rs.13.14 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs.11.08 crore in FY2017 as compared to Rs.11.78 crore in FY2016 from promoters and are subordinated to bank debt. Hence, SMERA has treated the same as quasi equity. AUSPL has comfortable gearing (debt-to- equity) of 0.88 times as on 31 March, 2017 against 0.90 times in FY2015-16. The total debt includes term loan of Rs.2.85 crore, unsecured loan of Rs.2.95 crore and working capital facility of Rs.5.90 crore. The interest coverage ratio stood modest at 3.17 times in FY2016-17 against a negative 0.17 times in FY2015-16. The financial risk profile is also supported by moderate net cash accrual to total debt (NCA/TD) of 0.17 times in FY2017 vis-à-vis negative 0.16 times in FY2016 mainly on account of improved profitability metrics.

Weaknesses

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

The margins are susceptible to fluctuations in the prices of raw material (mainly steel). The raw material cost constitutes ~90 percent of the cost of sales. Any change in the prices may adversely affect margins.

- **Intense competition**

The company faces intense competition from various players which is likely to have an impact on its operating performance and profitability.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and cash accruals with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2017, the company reported profit after tax (PAT) of Rs.1.38 crore on operating income of Rs.58.55 crore, compared to net loss of Rs.2.50 crore on operating income of Rs.27.94 crore in FY2016. The net worth stood at Rs.13.80 crore as on 31 March, 2017 against Rs.13.14 crore a year earlier. The net worth of Rs.13.80 crore in FY2017 includes quasi-equity of 11.08 crore.

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

None

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	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.31	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Mrinal Mahip Executive Analyst - Rating Operations Tel: 011-49731304 mrinal.mahip@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.