

Press Release

Ashutosh Metal Private Limited (AMPL)

18 January, 2018

Rating Assigned



Total Bank Facilities Rated	Rs. 14.00 Cr.
Long Term Rating	SMERA BBB-/Stable (Assigned)
Short Term Rating	SMERA A3 (Assigned)

**Annexure*

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B Minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 14.00 crore bank facilities of Ashutosh Metal Private Limited (AMPL). The outlook is '**stable**'

The Mumbai-based AMPL, incorporated in 1999 by Mr. Chandrakant is engaged in the production of stainless steel ingots and flats used in the manufacture of household utensils, S.S. pipes, furniture etc at Ahmedabad, Gujarat. The installed capacity stands at 700 tons per month.

The Mumbai-based Avdesh Steel Works Private Limited (ASWPL), a 100 percent subsidiary of AMPL was incorporated in 2013. The company is engaged in the manufacture of stainless steel ingots and flats.

List of key rating drivers and their detailed description

Strengths

Long track record and experienced management

AMPL, led by Mr Chandrakant (Director) commenced operations in 1999. Mr Chandrakant possesses more than three decades of experience in the stainless steel industry. SMERA believes that the company will benefit from its experienced management and long track record of operations.

Moderate financial risk profile

The financial risk profile of AMPL is moderate marked by net worth of Rs. 16.96 crore as on 31 March, 2017 as against Rs.15.73 crore as on 31 March, 2016. The gearing is moderate at 0.89 times as on 31 March, 2017 as against 1.35 times as on 31 March, 2016. Of the total debt, long term debt constitutes Rs. 8.04 crore and short term debt of Rs. 7.01 crore as on 31 March, 2017. Further, the Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 2.73 times and 1.59 times respectively for FY2017 as against 3.03 times and 2.03 times for FY2016.

Comfortable working capital cycle

AMPL has comfortable working capital cycle with GCA days of 106 for FY2017 as against 105 for FY2016. Debtor days and inventory days stood at 48 and 39 respectively in FY2017 as against 59 days and 33 days in the previous year.

Weaknesses

Risk of fluctuations in raw material prices

The revenues and profitability margins are susceptible to fluctuations in the prices of nickel – the raw material used for manufacturing stainless steel ingots and flats. The raw material cost constitutes around 80 per cent of the total sale. Thus, adverse price movements in steel and its availability can impact profitability.

Forex fluctuation risk

AMPL imports around 20 percent of its raw materials from China, Vietnam among others. Hence, the profit margins are exposed to foreign exchange fluctuation risk in the absence of hedging policy.

Analytical Approach

For analytical purposes, SMERA has considered the consolidated business and financial risk profile of AMPL and ASWPL. SMERA has adopted a consolidated approach on account of the financial linkages, common management and holding and holding-subsidiary relationship.

Outlook – Stable

SMERA believes that AMPL will maintain a Stable outlook over the medium term on owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company registers significant improvement in revenue and profitability while maintaining a moderate financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

On standalone basis, for FY2017, AMPL reported profit after tax (PAT) of Rs.084 crore on operating income of Rs.91.44 crore compared with PAT of Rs. 0.82 crore on operating income of Rs. 104.66 crore for FY2016. The net worth stood at Rs.16.47 crore as on 31 March, 2017 compared to Rs. 15.63 crore as on 31 March, 2016.

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	132.61	138.65	128.36
EBITDA	Rs. Cr.	5.45	5.09	3.47
PAT	Rs. Cr.	1.23	1.20	0.55
EBITDA Margin	(%)	4.11	3.67	2.71
PAT Margin	(%)	0.93	0.87	0.43
ROCE	(%)	11.00	9.79	17.82

Total Debt/Tangible Net Worth	Times	0.89	1.35	0.95
PBDIT/Interest	Times	2.73	3.03	2.28
Total Debt/PBDIT	Times	2.71	4.18	3.90
Gross Current Assets (Days)	Days	106	105	79

Note: Consolidated basis

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Note on complexity levels of the rated instruments- <https://www.smera.in/criteria-complexity-levels.htm>
- Criteria for Consolidation of companies: <https://www.smera.in/criteria-consolidation.htm>

Rating History (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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BBB-/Stable
*Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA A3

*The cash credit facility of Rs. 12 crore consist LC sublimit of Rs. 1.5 cr

Contacts:

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Naveen Papisetty Rating Analyst Tel: +91-22-6714 1148 Email: naveen.papisetty@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, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. 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.