

Press Release

Shree Parmeshwar Steels Private Limited

May 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 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 plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.15.00 crore bank facilities of Shree Parmeshwar Steels Private Limited (SPSPL). The outlook is '**Stable**'.

Incorporated in 1998, SPSPL is a Gujarat-based company promoted by Mr. Indravadan Patel. The company is engaged in manufacturing of thermo-mechanically treated (TMT) steel bars, and steel structural products with a capacity of one lakh metric tons per annum.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management:**

SPSPL has over two decades of presence in the steel industry and has established strong relations with its customers. The Promoter, Mr. Indravadan Patel has more than two decades of experience in the steel industry and is actively involved in managing the business.

- **Well managed working capital cycle:**

The working capital of SPSPL is well managed as reflected in Gross Current Assets of 43 days as on 31 March, 2017 as against 42 days as on 31 March, 2016. The company provides maximum credit of 30 days to its customers and maintains minimal inventory as of 15 days and debtors of 8 days as on 31 March, 2017.

Weaknesses

- **Moderate financial risk profile:**

The financial risk profile stood moderate marked by tangible net worth of Rs.7.10 crore as on 31 March, 2017 as against Rs.6.52 crore as on 31 March, 2016. The gearing stood at 2.92 times as on 31 March, 2017 as against 2.15 times as on 31 March, 2016. The total debt of Rs.20.73 crore as on 31 March, 2017 comprises term loan of Rs.9.80 crore, unsecured loan of Rs.7.23 crore and working capital loan of Rs.3.70 crore. The Interest Coverage Ratio stood at 2.01 times in FY2017 as against 3.07 times for FY2016.

- **Decline in revenues and profitability:**

SPSPL revenues have shown a declining trend for the period under study i.e. from FY2015 to FY2017. The revenues had declined from Rs. 193.08 crore in FY2015 to Rs.144.39 crore in FY2016 and Rs.131.46 crore in FY2017. The decline is mainly due to slow down in the end user industry and steel prices. The company has registered gross sales of Rs.236.00 crore for April to February, 2018.

• **Volatility in raw material prices and competitive industry:**

Margins of the company are susceptible to volatility in commodity prices. Any significant changes in commodity prices over supply would have an impact on margins of the company. SPSPL operates in a highly competitive industry thereby putting pressure on capacity utilisation and pricing power.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SPSPL to arrive at the rating.

Outlook: Stable

SMERA believes SPSPL will maintain a 'Stable' outlook over medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of elongation in working capital requirements thereby increasing the pressure on margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	131.46	144.39	193.08
EBITDA	Rs. Cr.	1.91	3.38	2.19
PAT	Rs. Cr.	0.58	1.17	0.40
EBITDA Margin	(%)	1.45	2.34	1.14
PAT Margin	(%)	0.44	0.81	0.20
ROCE	(%)	8.49	12.05	13.39
Total Debt/Tangible Net Worth	Times	2.92	2.15	4.41
PBDIT/Interest	Times	2.01	3.07	1.64
Total Debt/PBDIT	Times	7.96	4.00	9.86
Gross Current Assets (Days)	Days	43	42	46

Any other information

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

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ABOUT SMERA

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