

Press Release

Abha Power & Steel Private Limited (APSPL)

June 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+/Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 8.00 crore bank facilities of Abha Power & Steel Private Limited. The outlook is '**Stable**'.

Abha Power & Steel Private Limited (APSPL) was established in the year of 2005 by Mr. Ankit Agarwal and Mr Harish Kumar as a private limited company and engaged in alloy steel casting, SG Iron casting, manganese steel casting and SS casting with the combined installed capacity of 14400 MT/ annum.

Key Rating Drivers

Strengths

Experienced management:

The director of the company Mr. Ankit Agarwal, Mr. Kalyan Kumar Ganguly, Mr. Subhash Chandra Agarwal, Mr Harish Kumar and Mr. Sathish Kumar Shah have more than a decade experience in the iron and steel industry.

Average financial risk profile:

The average financial risk profile of the company is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.11.59 crore in FY2018 (Prov.) as compared to Rs.11.34 crore in FY2017. The gearing of the company stood comfortable at 0.60 times in FY2018 (Prov.) as compared to 0.68 times in FY2017. The total debt of Rs.6.94 crore consists of long term debt of Rs.1.23 crore, short term rating of Rs.5.59 crore and unsecured loan from promoters of Rs.0.12 crore. The interest coverage ratio (ICR) of the company stood comfortable at 1.88 times in FY2018 (Prov.) as compared to 1.69 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.16 times in FY2018 (Prov.) as compared to 1.03 times in FY2017. The net cash accruals against the total debt stand moderate at 0.11 times in FY2018 (Prov.) as compared to 0.09 times in FY2017.

Weaknesses

Working capital intensive nature of operation:

APSPL's nature of operations are working capital intensive marked by high Gross Current Asset (GCA) days of 174 days and 278 days in FY2018 (Prov.) and FY2017 respectively. Such high GCA days is mainly due to high inventory which stood at 154 days and 219 days in FY2018 (Prov.) and FY2017 respectively. This high inventory is mainly on account of lengthy process of iron and steel casting.

Presence in highly competitive and fragmented industry

The steel products trading industry is a highly fragmented industry and there is large number of organized and unorganized players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganized segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

Analytical Approach

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

Outlook: Stable

ACUITÉ believes the outlook on APSPL rated facilities will remain stable over the medium term backed by its experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the improvement in financial risk profile while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	30.50	19.15	15.89
EBITDA	Rs. Cr.	1.82	1.80	1.81
PAT	Rs. Cr.	0.25	0.11	0.14
EBITDA Margin	(%)	5.98	9.37	11.40
PAT Margin	(%)	0.82	0.59	0.89
ROCE	(%)	6.52	6.54	13.72
Total Debt/Tangible Net Worth	Times	0.60	0.68	0.75
PBDIT/Interest	Times	1.88	1.69	1.57
Total Debt/PBDIT	Times	3.81	4.21	4.45
Gross Current Assets (Days)	Days	174	278	288

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/Stable (Assigned)

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