

## Press Release

### Shristi Ispat & Alloys Limited (SIAL)

June 27, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) to the Rs.8.50 crore bank facilities of Shristi Ispat & Alloys Limited (SIAL). The outlook is '**Stable**'.

Incorporated in 2004, Shristi Ispat and Alloys Limited (SIAL) is a Kolkata-based public limited company engaged in manufacturing of TMT bars and alloys. The company is promoted by Mr. Sanjay Dalmia. SIAL has its manufacturing unit at Pakura district in Kolkata with capacity of 90000 tonnes per annum.

### Key Rating Drivers

#### Strengths

- **Experience management**

SIAL was incorporated in 2004 and is led by the Directors, Mr. Sanjay Kumar Dalmia, Mr. Naresh Kumar Mawandia, Mr. Santosh Kumar Kedia, Mr. Shankar Lal Agrawal and Mr. Purusottam Das Dalmia with individual experience of more than three decades in the industry. The extensive experience of the directors has led to established market presence of SIAL enabling it to build strong business ties with its suppliers and customers.

- **Steady growth in scale of operations**

SIAL has reported operating income of Rs.216.60 crore for FY2018 (Provisional) which has grown from Rs.156.98 crore in FY2017 and Rs.147.06 crore in FY2016. This is mainly because of the increased demand from existing customers. The operating margins improved to 3.98 percent in FY2017 as against 2.47 percent in FY2016. Profit after Tax (PAT) margin stood at 2.68 percent in FY2017 as against 0.77 percent in FY2016. This is mainly because of exceptional income of Rs.1.20 crore in FY2017.

- **Comfortable financial risk profile**

SIAL's tangible networth stood at Rs.16.79 crore as on 31 March, 2017 as against Rs.12.58 crore in FY2016. This is mainly due to accretion of reserves. The gearing (debt to equity) stood at 0.43 times as on 31 March, 2017 from 0.28 times as on 31 March, 2016. The total debt of Rs.7.28 crore as on 31 March, 2017 comprises Rs.4.55 crore of unsecured loans from promoters and others and working capital borrowing of Rs.2.73 crore. The coverage indicators stood comfortable with Interest Coverage Ratio (ICR) of 8.60 times in FY2017 as compared to 5.80 times in FY2016. Total Other Liability/Total Net Worth (TOL/TNW) stood at 2.34 times in FY2017 as compared to 4.36 times in FY2016.

Acuité believes that SIAL will maintain the financial risk profile over near to medium term over absence of long term debt and steady growth in operations resulting in healthy accruals.

- **Efficient working capital management**

The working capital cycle is well managed marked by Gross Current Assets (GCA) of 85 days in FY2017 as against 113 days in FY2016. This comprises debtors of 42 days in FY2017 as against 78 days in FY2016 and inventory of 25 days in FY2017 as compared to 16 days in FY2016.

## Weaknesses

- **Volatility in raw material prices and competitive industry**

The revenue margins of the company are susceptible to volatility in raw material prices. Any significant change in raw material prices is likely to put downward pressures on the company margins. SIAL operates in a highly competitive industry thereby putting pressure on capacity utilisation and pricing power.

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SIAL to arrive at the rating.

## Outlook: Stable

Acuité believes that SIAL will maintain a 'Stable' outlook over the medium term owing to the experienced management and steady growth in the scale of operations. The outlook may be revised to 'Positive' in case of higher than expected growth in the scale of operations along with improved profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the scale of operations and profitability, or elongation in the working capital cycle.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	156.98	147.06	159.93
EBITDA	Rs. Cr.	6.25	3.63	4.14
PAT	Rs. Cr.	4.21	1.13	0.87
EBITDA Margin	(%)	3.98	2.47	2.59
PAT Margin	(%)	2.68	0.77	0.54
ROCE	(%)	27.27	12.17	28.54
Total Debt/Tangible Net Worth	Times	0.43	0.28	0.41
PBDIT/Interest	Times	8.60	5.80	2.29
Total Debt/PBDIT	Times	0.95	0.96	1.13
Gross Current Assets (Days)	Days	85	113	130

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

None

## Any other information

Not applicable

## Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-4.htm>

## Note on complexity levels of the rated instrument

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

## Rating History (Upto last three years)

None

**\*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	8.50	ACUITE BBB-/ Stable (Assigned)

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**About Acuité Ratings & Research:**

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