

Press Release

Shristi Ispat and Alloys Limited

September 04, 2020

Rating Upgraded and Assigned



Total Bank Facilities Rated	Rs. 32.00 crore (Enhanced from Rs 8.50 crore)
Long Term Rating	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and assigned the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 32.00 crore bank facilities of Shristi Ispat and Alloys Limited (SIAL). The outlook is '**Stable**'.

The rating was downgraded as per the press release dated 24th December, 2019 on account of information risk. However, the company has now cooperated with Acuité for the review.

Incorporated in 2004, Shristi Ispat and Alloys Limited (SIAL) is a Kolkata based company engaged in manufacturing of TMT bars, MS round, nail, winding wires, ribbed bars and HB wire. The raw material required is billets procured locally and sold to customers located in Eastern India. Currently, the company is operated by its directors, Mr. Naresh Kumar Mawandia, Mr. Sanjay Kumar Dalmia, Mr. Santosh Kumar Kedia, Mr. Shankar Lal Agrawal and Mr. Purusottam Das Dalmia. The manufacturing unit is located in Bankura district of West Bengal. The installed capacity is 90000 tonnes per annum with utilization of around 90 per cent.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Incorporated in 2004 the company has an operational track record of more than fifteen years in the business. The company benefits from the extensive experience of its promoter Mr. Sanjay Kumar Dalmia, Mr. Naresh Kumar Mawandia, Mr. Santosh Kumar Kedia, Mr. Shankar Lal Agrawal and Mr. Purusottam Das Dalmia who possess more than three decades of experience in the iron and steel industry. The extensive experience of the directors has led to an established market presence of SIAL, enabling it to build strong business ties with its suppliers and customers.

• Moderate financial risk profile

The financial risk profile of the company is marked by moderate network, comfortable gearing level, and strong debt protection metrics. The tangible network stood at Rs 24.78 crore as on 31st March, 2020 (Provisional) as compared to Rs 21.33 crore in the previous year. The improvement in network is due to retention of profits in the same period. The gearing (debt-equity) stood low at 0.32 times as on 31st March, 2020 (Provisional) as compared to 0.43 times in the previous year. The total debt of Rs 7.96 crore as on 31st March, 2020 (Provisional) consists mainly of unsecured loan from directors of Rs 7.06 crore apart from working capital borrowings of Rs 0.90 crore. The coverage indicators are marked by Interest coverage ratio (ICR), which stood at 4.72 times for FY 2020 (Provisional) as compared to 4.25 times in FY 2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.61 times in FY 2020 (Provisional) and 0.49 times in FY2019. Debt to EBITDA stood at 1.16 times in FY 2020 (Provisional) as against 1.42 times in FY2019. The healthy debt protection measures are mainly due to minimal reliance on debt by the company. The financial risk profile is expected to deteriorate over the medium term

on account of the debt-funded capex plan.

• Prudent working capital operations

The working capital operations of SIAL stood well managed marked by GCA (Gross Current Assets) Days of 63 days in FY 2020 (Provisional) similar to 62 days in the previous year in FY 2019. The inventory days stood well managed at 11 days in FY 2020 (Provisional) similar to 15 days in the previous year. The debtor days stood moderate at 51 days in FY 2020 (Provisional) as compared to 40 days in FY 2019. Other Current Assets as on 31st March, 2020 (Provisional) stood at Rs 4.43 crore. The working capital limits remained utilized at an average of around 62 percent for 7 months ended July, 2020. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

Weaknesses

• Project execution and funding risk

The company is planning a debt-funded capital expenditure of Rs. 45.00 crore for installation of machinery for manufacturing of billets with an installed capacity of 1.8 lakh MTPA. The same is expected to be funded through term loan of Rs.20.00 crore, which is yet to be sanctioned and remaining through internal accruals and promoter's contribution. The project is expected to be completed by November, 2021 and the commercial operations are expected to start by December, 2021. Any delay in execution or any cost overrun of the project will impact the liquidity of the company.

• 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.

Rating Sensitivity

- Substantial growth in revenue coupled with improving profitability
- Timely completion of the capex

Material Covenants

None

Liquidity Profile: Adequate

SIAL has adequate liquidity marked by moderate cash accruals against NIL debt repayment obligations. The company generated cash accruals of Rs 3.26-4.82 crore in FY 2018-2020 (Provisional) while there were no maturing debt obligations during the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 3.99-5.65 crore during 2021-23 against estimated repayment obligation of around Rs. 2.06-2.75 crore during FY 2021- 2023. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 63 days in FY 2020 (Provisional) similar with 62 days in the previous year in FY 2019. The firm maintains unencumbered cash and bank balances of Rs. 0.53 crore as on March 31, 2020 (Provisional). The current ratio stood at 1.43 times as on March 31, 2020 (Provisional). The working capital limits remained utilized at an average of around 62 percent for 7 months ended July, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuite believes that SIAL's outlook will remain 'Stable' over the medium term from its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while improving its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or higher than expected debt for the capex.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	332.79	388.52
PAT	Rs. Cr.	3.45	3.20
PAT Margin	(%)	1.04	0.82
Total Debt/Tangible Net Worth	Times	0.32	0.43
PBDIT/Interest	Times	4.72	4.25

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Dec-2019	Cash Credit	Long Term	8.50	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) (Indicative)
14-Aug-2019	Cash Credit	Long Term	8.50	ACUITE BBB-/Stable (Indicative)
27-Jun-2018	Cash Credit	Long Term	8.50	ACUITE BBB-/Stable (Assigned)

***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	29-Mar-2019	Not Applicable	Not Applicable	9.90	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.10	ACUITE BBB-/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research

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