

Press Release

SHREE RAM SPONGE AND STEELS PRIVATE LIMITED

July 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 25.00 crore bank facilities of SHREE RAM SPONGE AND STEELS PRIVATE LIMITED. The outlook is '**Stable**'.

Shree Ram Sponge And Steels Private Limited is an Odisha based company incorporated in 1993 by Mr. Umesh Sharma with the name Shree Ram Dairy Farm and Plantations Pvt. Ltd. Later in 2000, the company started manufacturing of MS Ingots. Currently, the company is managed by Mr. Umesh Sharma, Mrs. Madhu Sharma and Mr. Sourav Sharma. In the year 2007, the company started manufacturing TMT Bars. Currently TMT bars is sold under the brand name 'Shreeram TMT'. It has an installed capacity of 32000 MT per annum utilized to the tune of 40per cent for MS Ingots and for TMT, the installed capacity is 48000 MT per annum utilized to 70-80 per cent. The company procures its raw materials from various local players in Odisha and sells around 85 percent of its production in Western and Southern Odisha.

Key Rating Drivers

Strengths

- **Experienced management:**

The promoters of the company have more a decade of experience in the industry. Shree Ram Sponge And Steels Private Limited is an Odisha based company incorporated in 1993 by Mr. Umesh Sharma in the name Shree Ram Dairy Farm and Plantations Pvt. Ltd. Later in 2000, the company started manufacturing of MS Ingots. Currently, the company is headed by Mr. Umesh Sharma, Mrs. Madhu Sharma and Mr. Sourav Sharma. In the year 2007, the company started in manufacturing Ms Ingots and TMT Bars. Currently TMT bars are sold under the brand name 'Shreeram TMT'.

- **Moderate financial risk profile:**

The moderate financial risk profile is marked by moderate network of Rs.17.21 crore as on 31 March, 2018 (Provisional) compared to Rs.15.47 crore a year earlier. Further, the gearing stood at a moderate 1.13 times as on 31 March, 2018 (Provisional) compared to 0.86 times a year earlier. The interest coverage of the company stands moderate at 2.19 times in FY2018 (Provisional) as against 1.79 times in the previous year. The net cash accrual by total debt (NCA/TD) stood at 0.13 times in FY2018 (Provisional) compared to 0.11 times in FY2017. The debt service coverage ratio stood at 2.04 times in FY2018 (Provisional) compared to 1.52 times a year earlier.

Weaknesses

- **Moderate scale of operations:**

The scale of operations of the company is moderate as evident from revenues of Rs.132.86 crore for FY2018 (Provisional), Rs.102.99 crore for FY2017. Profitability witnessed an improving trend over the past two years due to improving prices in the industry for TMT. The operating margin remained low at 3.30 per cent in FY2018 (Provisional), 3.50percent in FY2017 as compared 1.11 per cent in FY2016. The company earned PAT margin of 1.31percent in FY2018 (Provisional) as compared to 0.63 per cent in FY2017.

- **Presence in highly competitive and fragmented industry**

The company operates in a highly competitive steel products industry with much pressure on capacity utilisation and pricing power. Besides, the company faces competition from various organised and

unorganised players in the sector.

Analytical Approach

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

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the medium term owing to the managements' experience. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	132.86	102.99	97.79
EBITDA	Rs. Cr.	4.38	3.60	1.08
PAT	Rs. Cr.	1.75	0.65	-0.89
EBITDA Margin	(%)	3.30	3.50	1.11
PAT Margin	(%)	1.31	0.63	-0.91
ROCE	(%)	11.42	10.03	6.75
Total Debt/Tangible Net Worth	Times	1.13	0.86	1.12
PBDIT/Interest	Times	2.19	1.79	0.80
Total Debt/PBDIT	Times	4.19	3.42	8.81
Gross Current Assets (Days)	Days	106	110	107

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/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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable

Contacts

Acuite Ratings & Research Limited (erstwhile SMERA Ratings Limited)

www.acuite.in

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.*