

Press Release

Champion Rolling Mill Private Limited

July 25, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 34.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 34.00 crore bank facilities of Champion Rolling Mill Private Limited. The outlook is '**Stable**'.

Champion Rolling Mill Private Limited incorporated in 2004 by Mr. Mohd Yunus Khan, Mr. Mohd Shafique Khan and Mr. Mohd Kalim Khan is engaged in manufacturing of MS angles, MS Beam, MS channel, MS scrap and sludge. The manufacturing facility is situated at Wada in Palghar district (Maharashtra) with an installed capacity of 90,000 MTPA.

Key Rating Drivers

Strengths

• Experienced management

Champion Rolling Mill Private Limited (CRMPL) was established in early 1970s as a partnership firm by the family of the promoters. The initial business operations included trading in iron billets. The promoters later on decided to convert the business into a private limited company in 2004 and started manufacturing of MS Beams, MS Channels, MS Angles and MS Tangles in 2008. Thus, the management has more than four decades of experience in the steel industry. Acuite believes CRMPL will benefit by the experienced management over the medium term.

• Moderate financial risk profile

CRMPL has moderate financial risk profile marked by tangible net worth of Rs.26.68 crore (includes unsecured loans to the tune of Rs.5.92 crore considered as quasi equity) as on 31 March, 2018 (Provisional) as against Rs.24.50 crore as on 31 March, 2017. The gearing stood at 0.66 times as on 31 March, 2018 (Provisional) as against 0.84 times as on 31 March, 2017. The total debt of Rs.17.51 crore outstanding as on 31 March, 2018 (Provisional) is working capital borrowings from the bank. Interest Coverage Ratio stood at 2.68 times in FY2018 (Provisional) as against 2.53 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 2.44 times in FY2018 (Provisional) as against 2.29 times in FY2017. The net cash accruals stood healthy at Rs.4.54 crore in FY2018 (Provisional) as against Rs.3.82 crore in FY2017. The NCA/TD stood at 0.26 times in FY2018 (Provisional) as against 0.19 times in FY2017. CRMPL has no long term debt obligation over the medium term. Acuite believes that CRMPL will maintain its financial risk profile backed by healthy net cash accruals over the medium term.

Weaknesses

• Uneven revenue trend

The revenue trend of CRMPL is uneven during the period FY2015 to FY2018 under the study. This is majorly on account of fluctuation in the steel prices which has impacted the scale of operations of the company. The operating income stood at Rs.162.00 crore in FY2018 (Provisional) as against Rs.150.28 crore in FY2017 and Rs.180.55 crore in FY2016. Acuite believes that the ability of the company to maintain its revenue stream in such a highly competitive market and volatile steel prices will be key rating sensitivity.

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Asset days of 128 days in FY2018 (Provisional) as against 127 days in FY2017. This is majorly on account of high inventory holding period of 101 days in FY2018 (Provisional) as against 110 days in FY2017. The company maintains inventory of around 120 days in order to supply bulk orders. The receivable days stood at 25 in FY2018 (Provisional) as against 19 days in FY2017. The company gets extended credit period from its suppliers of around 75 days which moderates the working capital requirements. The average bank limit utilisation stood at ~85 percent for the last six months ended May 2018. Acuite believes that CRMPL's operations will remain working capital intensive due to high inventory holding period inherent in this industry.

• Susceptibility of profitability margins to volatility in the raw material prices

The margins of the company are susceptible to volatility in raw material prices which have been uneven during the period under study. Significant changes in raw material prices due to import pressure and over supply would have an impact on the margins of the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of CRMPL to arrive at the rating.

Outlook: Stable

Acuite believes that CRMPL will maintain a 'Stable' outlook over the medium term benefitting from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins and deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	162.00	150.28	180.55
EBITDA	Rs. Cr.	7.95	7.20	7.38
PAT	Rs. Cr.	2.18	1.46	3.06
EBITDA Margin	(%)	4.91	4.79	4.09
PAT Margin	(%)	1.34	0.97	1.69
ROCE	(%)	13.24	11.19	10.78
Total Debt/Tangible Net Worth	Times	0.66	0.84	0.88
PBDIT/Interest	Times	2.68	2.53	3.00
Total Debt/PBDIT	Times	2.06	2.73	1.97
Gross Current Assets (Days)	Days	128	127	100

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

India Ratings and Research, vide its press release dated May 14, 2018 had denoted the rating of Champion Rolling Mill Private Limited as 'IND BB+(ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	20.00	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Namita Palve Analyst - Rating Operations Tel: 022-67141129 namita.palve@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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