

Press Release

Western Stainless Steel LLP

July 05, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.12 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 6.12 crore bank facilities of WESTERN STAINLESS STEEL LLP (WSSL). The outlook is 'Stable'.

Established in 2018, WSSL is a Delhi-based company promoted by Mr. Vishal Aggarwal, Mr. Gaurav Aggarwal and Mr. Arun Aggarwal. The firm started its commercial production from February, 2019. The firm is engaged in manufacturing of stainless steel ingots. The firm has its manufacturing unit located at Village Kerala in Gujarat with installed capacity of 16,800 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The promoter, Mr. Vishal Aggarwal possesses experience of more than a decade in steel industry. Before promoting WSSL, Mr. Vishal Aggarwal acquired experience from M/s Vishal Ferro Alloys Private Limited (engaged in manufacturing of M S Steel ingots). Acuite believes that WSSL will benefit from experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

Weaknesses

• Debt funded capital expenditure

The total project cost of WSSL is Rs.8.33 crore which is financed through a term loan of Rs.2.25 crore and promoter's funds of Rs.6.08 crore. The operations of the firm started from February 2019 and have booked revenue of Rs.5.00 crore for the period February to March, 2019. Acuite believes that the firm's ability to generate cash accruals over the medium term would be a key sensitivity factor.

• Nascent stage of operations

WSSL started its operations from February, 2019. It is in its initial stage of operations and is yet to demonstrate its performance. Acuite believes that the operations of the firm are at a very nascent stage and the firm's ability to optimally utilise its capacity to generate cash flows to meet their outstanding debt obligations would be key sensitivity factor.

Liquidity Position:

Acuite expects that the liquidity position of WSSL to be stretched for the first year of operations and expects maturing debt obligations to stand at Rs.0.36-0.50 crore during FY2018-19 to FY2020-21. Acuite believes that the promoters would support the company till operations stabilise. The liquidity of the company is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuite believes that WSSL will maintain 'Stable' business risk profile over the medium term on account of the management's experience in the steel industry. The outlook may be revised to 'Positive' in case of optimal utilisation of capacity leading to improvement in revenues and accruals. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the scale of operations.

About the Rated Entity - Key Financials

Not Applicable. The company started operations in February 2019.

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

None

Any other information

Not Applicable

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
Overdraft Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.22	ACUITE B / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4

LC facility of Rs.1.50 crore contains one-way interchangeability upto the extent of 60% to OCC.

Contacts

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About Acuité Ratings & Research:

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