

February 24, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------------|--------------------|-----------------------------|
| Cash Credit | 3.50 | SMERA B/Stable (Reaffirmed) |
| Term Loan | 1.21 | SMERA B/Stable (Reaffirmed) |
| Standby Line of Credit | 0.52 | SMERA A4 (Reaffirmed) |
| Letter of Credit# | 2.25 | SMERA A4 (Reaffirmed) |

#Includes Buyer's Credit as a sublimit to the extent of Rs.2.25 crore

SMERA has reaffirmed the ratings of '**SMERA B' (read as SMERA single B)** on the Rs.4.71 crore long-term bank facilities and '**SMERA A4' (read as SMERA A four)** on the Rs.2.77 crore short-term bank facilities of Shilpa Alloys Private Limited (SAPL). The outlook is '**Stable**'. The ratings remain constrained by the company's short track record of operations, working capital-intensive business and weak financial profile. The ratings note that the company's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates. However, the ratings draw comfort from the company's experienced management and reputed clientele.

Update

SAPL reported revenue of Rs.10.51 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.8.63 crore in FY2012-13. Further, the company registered revenue of Rs.11.25 crore (provisional) during April 2014 to December 2014 on the back of increase in sales realisation.

SAPL's gearing (debt-equity ratio) remains high at 4.38 times as on March 31, 2014. The company has maintained its moderate coverage indicators with interest coverage ratio (ICR) of 1.72 times and cash debt service coverage ratio (DSCR) of 1.18 times in FY2013-14.

SAPL's profit margins remain susceptible to volatility in raw material (steel) prices. The company's profitability is also exposed to forex fluctuation risk inherent in unhedged imports. SAPL's operating profit margin declined from 12.84 per cent in FY2012-13 to 11.41 per cent in FY2013-14. The company's working capital cycle remains stretched at 183 days in FY2013-14 on account of extended collection period of 109 days and high inventory level of 129 days. SAPL's cash credit utilisation was high at 97 per cent during July 2014 to January 2015.

Outlook: Stable

SMERA believes SAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability and capital structure while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's profit margins, or in case of significant deterioration in the company's capital structure on account of higher-than-expected debt-funded capital expenditure or working capital requirements.

SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Shilpa Alloys Private Limited

(SAPL)

*Rating
Rationale*

About the company

SAPL, incorporated in 1990, is a Jaipur-based company promoted by Mr. Ved Prakash Gupta, Mr. Akash Gupta, Ms. Sapna Gupta and Ms. Sandhya Gupta. SAPL commenced commercial operations in October 2009. At present, the overall operations of the company are managed by Mr. Sushant Gupta, Mr. Vaibhav Gupta and Mr. Akash Gupta.

SAPL manufactures unmachined wear-resistant steel castings. The company caters to several industries such as cement, minerals, mining and fertilizers. SAPL has a manufacturing unit in Jaipur, Rajasthan.

For FY2013–14, SAPL reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.10.51 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.8.63 crore in FY2012–13. SAPL's net worth stood at Rs.1.66 crore as on March 31, 2014, as compared with Rs.1.52 crore a year earlier.

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