

Press Release

Shilpa Alloys Private Limited (SAPL)

19 February, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.11.58 Cr.
Long Term Rating	SMERA BB-/Stable (Reaffirmed and assigned)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.23 crore bank facilities of Shilpa Alloys Private Limited (SAPL). Further, SMERA has also assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.3.35 crore bank facility. The outlook is '**Stable**'.

Shilpa Alloys Private Limited (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. The company commenced commercial operations in October 2009 to manufacture unmachined wear-resistant steel castings. It caters to industries such as cement, minerals, mining among others with manufacturing facilities located at Jaipur.

List of key rating drivers and their detailed description:

Strengths

Established track record of operations, experienced management: SAPL was incorporated in 1990 by Mr. Akash Gupta who has around 20 years of experience in the casting and forging industry. The other Directors, Mr. Sushant Gupta and Mr. Vaibhav Gupta have over a decade of experience in the industry.

Average financial risk profile: The company has an average financial risk profile marked by networth of Rs.6.06 crore as on 31 March, 2017 (Provisional) compared to Rs.4.87 crore in the previous year. The debt-to-equity ratio stood at 1.36 times as on 31 March, 2017 (Provisional) as against 1.19 times as on 31 March, 2016. Further, the Interest coverage ratio stood at 3.42 times for FY2016-17 (Provisional) and 2.74 times for FY2015-16. The DSCR stood at 2.40 times for FY2016-17 (Provisional) as against 1.84 times for FY2015-16.

Improvement in operating and PAT margins: The operating margin improved from 10.64 percent in FY2015-16 to 13.36 percent in FY2016-17 due to decline in cost of sales mainly consumables. Further, the net profit margin improved from 3.13 percent in FY2015-16 to 5.27 percent in FY2016-17.

Weaknesses

Small scale of operations: The scale of operations is small. The company registered revenue of Rs.19.84 crore in FY2016-17 (Provisional) and Rs. 19.56 crore in FY2015-16.

Foreign exchange fluctuation risk, volatility in raw material prices: Since imports (scrap from USA and the Middle East) constitute around 59 per cent, SAPL is exposed to foreign exchange fluctuation risk. The operating margins are vulnerable to volatility in raw material prices. The company does not have a hedging mechanism currently.

Analytical approach: SMERA has considered the standalone financial and risk profile of the company

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that the outlook on SAPL's rated facilities will remain stable over the medium term. The company will continue to benefit from its experienced management and reputed customers. The outlook may be revised to 'Positive' if the company registers sustained improvement in profitability while maintaining healthy revenue growth and achieving a better capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profit margins, significant deterioration in the capital structure due to higher-than-expected debt-funded capital expenditure or working capital borrowings.

About the Rated Entity: Key financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.84	19.56	15.99
EBITDA	Rs. Cr.	2.65	2.08	1.96
PAT	Rs. Cr.	1.49	0.61	0.47
EBITDA Margin	(%)	13.36	10.64	12.24
PAT Margin	(%)	7.53	3.13	2.95
ROCE	(%)	18.32	16.67	32.64
Total Debt/Tangible Net Worth	Times	1.36	1.19	1.63
PBDIT/Interest	Times	3.42	2.74	2.39
Total Debt/PBDIT	Times	3.04	2.69	2.86
Gross Current Assets (Days)	Days	177	162	172

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-Jul-	Cash credit	Long term	3.50	SMERA BB- (Indicative)
	Standby Line of Credit	Short term	0.52	SMERA A4+ (Indicative)
	Term Loan	Long term	0.35	SMERA BB- (Indicative)

2017	Term Loan	Long term	0.50	SMERA BB- (Indicative)
	Letter of Credit	Short term	2.20	SMERA A4+ (Indicative)
31-Mar-2016	Cash credit	Long term	3.50	SMERA BB-/Stable (Upgraded)
	Term Loan	Long term	0.36	SMERA B/Stable (Withdrawn)
	Term Loan	Long term	0.35	SMERA BB-/Stable (Upgraded)
	Term Loan	Long term	0.50	SMERA BB-/Stable (Upgraded)
	Standby Line of Credit	Short term	0.52	SMERA A4+ (Upgraded)
	Letter of Credit	Short term	2.25	SMERA A4+ (Upgraded)
24-Feb-2015	Cash Credit	Long term	3.50	SMERA B/Stable (Reaffirmed)
	Term Loan	Long term	1.21	SMERA B/Stable (Reaffirmed)
	Standby Line of Credit	Short term	0.52	SMERA A4 (Reaffirmed)
	Letter of Credit	Short term	2.25	SMERA A4 (Reaffirmed)
05-Dec-2013	Cash Credit	Long term	3.50	SMERA B/Stable (Assigned)
	Term Loan	Long term	1.21	SMERA B/Stable (Assigned)
	Standby Line of Credit	Short term	0.52	SMERA A4 (Assigned)
	Letter of Credit	Short term	2.20	SMERA A4 (Assigned)

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

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.50	SMERA BB-/Stable (Reaffirmed)
Term loan	N.A	N.A	N.A	0.21	SMERA BB-/Stable (Reaffirmed)
Standby Line of Credit	N.A	N.A	N.A	0.52	SMERA A4+ (Reaffirmed)
Term Loan	N.A	N.A	N.A	3.30	SMERA BB-/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A	4.00	SMERA A4+ (Reaffirmed)
Proposed	N.A	N.A	N.A	0.05	SMERA BB-/Stable (Assigned)

*Includes sublimit as FDBPN/PC

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ABOUT SMERA

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