

Press Release

Shilpa Alloys Private Limited

July 11, 2018

Rating Upgraded, Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.15.70 Cr (Enhanced from Rs.11.58 Cr)
Long Term Rating	ACUITE BB/Stable (upgraded)
Short Term Rating	ACUITE A4+ (upgraded)

* Refer Annexure for details

Rating Rationale

ACUITE has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 14.20 crore bank facilities of Shilpa Alloys Private Limited (SAPL). Further, **ACUITE** has also assigned long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.1.50 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.

Key Rating Drivers

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 network of Rs.9.79 crore as on 31 March, 2018 (Provisional) compared to Rs.5.55 crore in the previous year. The debt-to-equity ratio stood at 1.10 times as on 31 March, 2018 (Provisional) as against 1.49 times as on 31 March, 2017. Further, the Interest coverage ratio stood at 4.04 times for FY208 (Provisional) and 3.38 times for FY2017. The DSCR stood at 2.52 times for FY2018 (Provisional) as against 2.36 times for FY207.

Improvement in operating and PAT margins: The operating margin improved from 13.20 percent in FY2017 to 17.45 percent in FY2018 (Provisional) due to decline in cost of sales mainly consumables. Further, the net profit margin improved from 5.07 percent in FY2017 to 6.40 percent in FY2018 (Provisional).

Weaknesses

Moderate Scale of operations: The company has moderate scale of operations. Further, the revenue of the company has improved to Rs.31.87 crore in FY2018 (Provisional) from Rs.19.82 crore in FY2017. The revenue has grown with CAGR of 32 percent.

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

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

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.87	19.82	19.56
EBITDA	Rs. Cr.	5.56	2.62	2.08
PAT	Rs. Cr.	2.04	1.01	0.61
EBITDA Margin	(%)	17.45	13.20	10.64
PAT Margin	(%)	6.40	5.07	3.13
ROCE	(%)	24.60	18.25	16.67
Total Debt/Tangible Net Worth	Times	1.10	1.49	1.19
PBDIT/Interest	Times	4.04	3.38	2.74
Total Debt/PBDIT	Times	1.94	3.09	2.69
Gross Current Assets (Days)	Days	189	176	162

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
19-Feb-2018	Cash Credit	Long Term	3.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BB-/Stable (Reaffirmed)
	Stand by Line of Credit	Short Term	0.52	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	3.30	ACUITE BB-/Stable (Assigned)
	Letter of Credit	Short Term	4.40	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.05	ACUITE BB-/Stable (Assigned)
19-July-2017	Cash Credit	Long Term	3.50	ACUITE BB- (Indicative)
	Stand by Line of Credit	Short Term	0.52	ACUITE A4+ (Indicative)

	Term Loan	Long Term	0.35	ACUITE BB- (Indicative)
	Term Loan	Long Term	0.50	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Indicative)
31-March-2016	Cash Credit	Long Term	3.50	ACUITE BB-/Stable (Upgraded)
	Term Loan	Long Term	0.36	ACUITE B/Stable (Withdrawn)
	Term Loan	Long Term	0.35	ACUITE BB-/Stable (Upgraded)
	Term Loan	Long Term	0.50	ACUITE BB-/Stable (Upgraded)
	Stand by Line of Credit	Short Term	0.52	ACUITE A4+ (Upgraded)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Upgraded)

*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	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE BB/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.14	ACUITE BB/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB/Stable (Assigned)
Stand by line of credit	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

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