



Rating Rationale

SRMB Srijan Private Limited (SSL)

October 12, 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 326.23 Cr of 'SRMB Srijan Private Limited' (SSL or the 'Company')

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Ratings
Fund Based Cash Credit Term Loan	225.00 67.23	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook:Stable)
Non Fund Based Letter of Credit Bank Guarantee	10.00 24.00	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	Rs. 326.23 Crores (Rupees Three Hundred Twenty Six Crores and Twenty Three Lakhs Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating assigned: BWR BBB (Outlook:Stable)/BWR A3

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The Ratings inter alia factor the promoters' experience in the steel industry, established brand of the Company 'SRMB' in the long steel products of TMT Bars, reputed and well disbursed clientele of the Company, moderate financial risk profile, and proposed integration project viz., Hot Billet Project.. However the ratings are constrained by inherent limitations of the business involving volatility in prices of raw materials, working capital intensive nature of business, concentrated business operations of the Company producing only long steel products of TMT Bars and high competition in the secondary steel market.

Rating Outlook: Stable

BWR believes the **SRMB Srijan Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

October 12, 2017



About the Company

SRMB Srijan Private Limited (SSL) was incorporated in the year 2001. It was promoted by Late Mr. Radha Kishan Beriwal.

The Company is involved in the business of manufacturing of TMT Bars, The Company has two Steel Rolling Mill Units with aggregate installed capacity of 1,78,100 MTPA. The Plant is located in Durgapur Area, Sagarbanga, P.S Coke Oven Colony, Burdwan (West Bengal) & SRMB has its Registered Office at Khetra Das Lane, SRMB House, Kolkata (W.B). The Present promoters of the Company are Mr. Brij Mohan Beriwal (Chairman & Managing Director) and his two sons

Mr. Ashish Beriwal and Mr. Nikunj Beriwal are the other two directors.

SSL business involves procurement of billets from various steel billet manufacturers and processing in to TMT Bars of various grades and other structural items. The Company is operating at ~95.00% of the installed Production capacity for the Rolling Mill Units.

The Company has planned for the backward integration by setting up Hot Billet Casting Plant. The Phase-1 of the project is estimated at a Project Cost of Rs. 90.00 Crs, which constitutes TL Sanctioned Rs. 69.00 Crs under the existing consortium bank arrangement & Promoters Contribution Rs. 21.00 Crs. The Bank has already disbursed up to Rs. 30.75 Crs till Sept -2017 for the various project related expenses. The Commercial operation of the unit is expected on 1st April, 2018 (FY19).

Company Financial Performance

For the FY17, Total operating Income increased from Rs. 676.86 Crs of FY16 to Rs. 713.29 Crs, However The OPBIDT has reduced marginally from Rs. 42.80 Crs of FY16 to Rs. 36.93 Crs for the FY17 because of volatility in the prices of raw materials affecting the margins. The PAT remains at same level Rs. 6.89 Crs for the FY17 (Against Rs. 7.07 Crs of FY16).

The Authorised Capital of the Company has been increased from Rs. 24.00 Crs of FY16 to Rs. 27.00 Crs & subsequently Paid up capital also increased up to Rs. 25.72 Crs as of 31st March, 2017 (From Rs. 21.21 Crs as of 31st March 2016). TNW of the Company has improved up to Rs. 263.72 Crs as of 31st March 2017 (From Rs. 235.53 Crs of last fiscal) because of the additional capital bought by the Company and Cash Accruals from the business.

The gearing level remains moderate at 0.74 times for the FY17. Further the borrowings for the Hot Billet Project will result in marginal increase in the gearing level, i.e.. Total Debt/TNW to 1.00 times for the next fiscal (FY18).

Interest Coverage and Debt Coverage are also at moderate levels of 1.51 times and 1.14 times respectively. For the Current Year (FY18), Against the estimated total operating income of Rs. 787.49

October 12, 2017



Crs, till 31st August, 2017 achieved Rs. 373.94 Crs.

Strengths:

- SRMB is in the business of TMTBars manufacturing from last 16 years. Promoters of the Company possess extensive experience.
- The Company has bought additional capital to the extent of Rs. 4.51 Crs and Total Paid up capital increased to Rs. 25.72 Crs for the FY17 (Previous Year Rs. 21.21 Crs) & overall improvement in the networth position to Rs. 263.72 Crs.
- There are inconsistencies in the business performance over the years because of inherent cyclicity and volatility in the prices, as also the dependence of the Company on suppliers for billets. This is being addressed by backward integration to manufacture billets using continuous casting technology.
- The Company has established clientele for the institutional sales & also has dealers network around 800+ spread across different parts.

Weaknesses:

- SSL business operations are constrained by inherent limitation of the business volatility & fluctuation in the raw material prices.
- The Company's business operations are concentrated to Long steel Products viz., TMT Bars and Structures.
- High competition in the secondary steel market from reputed players.

Key Financial Particulars:

Particulars /	FY 2015	FY 2016	FY 2017
Revenue	831.88	676.86	713.29
EBIDTA	49.69	42.80	36.93
PAT	8.1	7.07	6.89
Tangible Net Worth	230.14	235.53	263.72
Total Debt :TNW	0.77	0.88	0.74
Current Ratio	1.32	1.33	1.38

Rating History for the last three years: (including withdrawn/suspended ratings) :

S.L No	Instrument /Facility	Current Ratings (Year-2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
	Fund Based				-	-	-
	Cash Credit	Long term	225.00	BWR BBB (Outlook:Stable)			
	Term Loan		67.23				
	Non Fund Based						
	Letter of Credit	Short Term	10.00	BWR A3	-	-	-
	Bank Guarantee		24.00				
Total		Rs. 326.23 Crores					
(Rupees Three Hundred Twenty Six Crores and Twenty Three Lakhs Only)							

Status of Non-cooperation with Previous CRA (If Applicable) : N.A

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

October 12, 2017



About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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