

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB+' for the Bank Loan Facilities of ₹18.80 Cr of Abhirama Steels Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan facilities of ₹18.80 Cr of Abhirama Steels Limited ('ASL' or 'the Company').

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based : Cash Credit</b>	15.00	Long Term	<b>BWR BB+</b> (Pronounced BWR Double B Plus)  <b>(Outlook - Stable)</b>
<b>Fund Based : Term Loans I</b>	3.35		
<b>Fund Based : Term Loan II</b>	0.45		
<b>Total</b>	<b>18.80</b>	<b>(INR Eighteen Crores &amp; Eighty Lakhs only)</b>	

**Note:** Term Loan I and Term II are the outstanding balances as on June 30, 2014.

BWR has principally relied upon the audited results up to FY14, provisional financials for July 31, 2014 and Projections for FY15, publicly available information and information / clarifications provided by the management.

The rating reflects the established track record of the company, promoter's extensive industry experience in the Steel (TMT) manufacturing business for more than five years, moderate tangible net worth with healthy debt sustainability indicators in FY14. However, the rating is constrained by the relatively modest scale of operations, sub optimal capacity utilisation with single product line coupled with stagnated sales FY13 & FY14 and its susceptibility to raw material prices which are volatile.

#### Background:

M/s. Abhirama Steels Private Limited was incorporated as a private limited in the year 2008, with Mr. Abhishek Palaparthi and Mr. Palaparthi Venkata Ramana Murthy as directors of the Company. In 2013 the Company reconstituted itself as limited company as M/s. Abhirama Steels Ltd.

The company is into manufacturing of thermo-mechanically-treated (TMT) steel bars for construction industry ( Residential, Infrastructure, Project etc.), it is a single product line of business activity with the various sizes from 8MM to 32 MM and raw materials are Billets

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

and Ingots. Steel rolling unit is located in Chityal and corporate office located in Hyderabad, Telangana. It has registered brand of “Abhirama TMT”, through distribution channel in Telangana and Karnataka states with turnover of 60 per cent and 40 per cent respectively. It has ISO 9001:2008 certification. Market segment is concentrated to Andhra Pradesh, Karnataka and Telangana.

The company is working with the capacity of installation is around 54000MT with maximum utilization capacity of ~ 50 per cent in FY14 and company have ~ 150 employees (Including Office staffs and 130 Labours).

### Management Profile:

Mr. Abhishek Palaparthi is the Managing Director and graduated in Master of Business Administration and has extensive experience of more than five years in managing business. Ms. Shikha Palaparthi, is an executive director and has worked as a HR executive with the notable company in India also has good experience in training employees. Currently, she is head of Operations and HR for Abhirama Steels Limited also represents to external clients, handles PR, Maintenance and Quality Control. During 2013, Mr. Suryaprakash Singapuri was inducted as non-executive director and is also Chairman and managing director for M/s. Shan Solar Pvt Ltd, Bangalore.

### Financial Performance:

ASL reported Net revenue from operations of ₹171.86 Cr & net profit of ₹ 1.35 Cr in FY 14 as against Net revenue from operations of ₹169.62 Cr and net profit of ₹0.80 Cr in FY13. The Company’s Net worth as at March 31, 2014 was ₹ 18.48 Cr increased from ₹ 18.25 Cr as at March 31, 2013.

### Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the company’s ability to scale up its operations, improve capacity utilisation levels, improve margins, and sustain operating cycle will be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.