

## Rating Rationale

**Brickwork Ratings assigns the rating ‘BWR B’ & ‘BWR A4’ for the Bank Loan Facilities of ₹ 7.35 Cr to Alokik Steels Pvt. Ltd.**

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of Rs.7.35 Cr of Alokik Steels Pvt. Ltd. (“ASPL” or “the company”):

Facilities	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based</b>		<b>Long Term</b>	<b>BWR B</b> (Pronounced BWR Single B)  <b>Outlook: Stable</b>
Cash Credit	<b>3.00</b>		
Term Loan	<b>0.03</b>		
WCTL	<b>1.07</b>		
<b>Non-Fund Based</b>		<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)
ILC/FLC	<b>3.25</b>		
<b>Total</b>	<b>7.35</b>	<b>INR Seven Crores &amp; Thirty Five Lakhs only</b>	

BWR has essentially relied upon the audited financial results of the company for FY15, provisional financials up to 30<sup>th</sup> Sept-15, projected financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The rating has factored, *inter alia*, long standing experience of promoters and locational advantage of the manufacturing unit. However, the ratings are constrained by the general slump in the steel industry due to imports and capacity issues, modest scale of operations of the company and stiff competition from unorganized as well as organized players.

### Background:

Alokik Steels Pvt. Ltd., a private limited company was established on 16<sup>th</sup> Apr-08. The company is engaged in manufacturing of M S Ingots.

It procures raw material (scrap iron, steel) for manufacturing from local market, Bhavnagar (scrap from ship breaking yards etc.), Chattisgarh and sometimes also from Dubai, UAE, South Africa and it supplies the finished product in Rajasthan and Punjab. Customer base of the company primarily consists of established companies engaged in manufacturing rolled products, angles, channels, etc.

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

### Ownership & Management:

Mr. Krishan K Jindal and Mr. Anshul Jindal are directors of the company and are involved in day to day operations of the company. Mr. Krishan K Jindal, hold 80.67% of the equity of the company. He has more than 28 years of experience in the industry.

### Financial Performance:

The company has recorded a turnover of Rs. 50.50 Cr with PAT of Rs. 0.06 Cr in FY15. Tangible net worth stood at Rs. 3.03 Cr. ISCR and DSCR stood at 1.45 times and 0.82 times respectively in FY15.

For the half-year ended 30<sup>th</sup> September 2015, the company has informed of having achieved a turnover of Rs. 18.32 Cr.

### Rating Outlook:

The rating outlook is expected to be stable over the current year. Ability of the company to achieve the targeted revenue, to achieve profitability which is adequate to take care of debt servicing and to efficiently manage its working capital would be the key rating sensitivities.

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