

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Loan Facilities aggregating ₹18.45 Cr of Amar Partap Steel Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 18.45 Cr of Amar Partap Steel Pvt. Ltd. (**"APSPL or "the company"**):

Bank Facilities	Existing Limits(Rs.Crs)	Tenure	Ratings
Fund Based			
Cash Credit	18.00	Long Term	BWR BB Pronounced as BWR Double B Outlook: Stable
Term Loan	0.45		
Total	18.45	INR Eighteen Crores Forty Five Lakhs Only	

BWR has principally relied upon the audited results up to FY15, provisional financials for FY16, publically available information and information /clarifications provided by the company's management.

The rating draws strengths from the extensive industry experience of the promoters in Iron & Steel Industry, established brand name of "AMCO TMT" and long standing relationship with customers and suppliers. However, the rating is constrained by low profitability margins, low liquidity ratio, and current outlook for steel industry, which is facing challenges.

Background:

Amar Partap Steel Pvt Ltd (APSPL) was incorporated in August, 2004 as a private Limited company at Jaipur, Rajasthan. The company was primarily engaged in manufacturing of Mild Steel (MS) ingots and subsequently in 2010 started manufacturing TMT Bars with brand name "AMCO TMT". It has a total Installed capacity of 30,000TPA for MS Ingots and 90,000 TPA for TMT bars.

Management Profile:

Mr. Jaswant Singh is the key promoter of the company, His family members/associates and companies controlled by him, fully own the paid-up capital of the company. Gurumukh Singh Dang, Satnam Kaur and Dharmbir Singh are the other directors of the company.

The company has an associate concern in the name of M/s Bonafide Arts Private Limited which is engaged in MS Billets manufacturing.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

The company has submitted provisional financial statements for FY15. Net Revenue from Operations of the Company has increased from ₹ 135.26 Cr in FY 14 to ₹158.08 Cr in FY 15 with PAT at ₹0.18Cr. Profitability is very thin, with Operating profit at 2.05% and net profit at 0.13%. Tangible net worth of the firm is ~ ₹11.20Cr in FY15. The company has availed both term loans and working capital facilities from State Bank of Bikaner & Jaipur, and the ratio of Total Debt: Tangible Net worth was around 1.87times. This ratio would come down, if a part of the Unsecured Loan from promoters were to be treated as quasi-equity. Current Ratio is just around 1, and utilisation of bank limits is high.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, ability of the company improve profitability, strengthen capital structure to improve liquidity and manage working capital efficiently will remain key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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