

Rating Rationale

Brickwork Ratings assigns 'BWR C-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 22.07 Cr of Amiya Steel Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of ₹ 22.07 Crores of Amiya Steel Pvt. Ltd.

| Facility | Tenure | Amount (₹ Cr) | Rating |
|-----------------------|------------|---|-------------------------|
| Fund Based | | | |
| CC | Long Term | 17.70 | BWR C- (BWR C Minus) |
| Term Loan | | 0.37 | |
| Non Fund Based | | | |
| BG | Short Term | 4.00 | BWR A4 (BWR A Four) |
| Total | | 22.07 (INR Twenty Two Crores and Seven Lakhs only) | |

BWR has principally relied upon the audited financial results of Amiya Steel Pvt. Ltd up to FY13, projected financials upto FY15, publicly available information and information/clarifications provided by the company management.

The rating has factored, inter alia, the promoter's experience in the steel industry. However the rating is constrained by the instances of delays in the past in the servicing of debt by the company due to weak liquidity, weak financial risk profile marked by high cash conversion cycle, high leverage position, declining profitability margins, low capacity utilization, weak debt protection metrics and susceptibility of the performance to volatility in raw material supplies and prices.

Background

Amiya Steel Pvt Ltd was incorporated in Kolkata on 1st August 2002. The company is promoted by Mr. Amiya Kr. Mondal and his family. The promoters of the company were primarily engaged in the business of cold storage facility of potato in Bankura, West Bengal.

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

ASPL is primarily engaged in the production of Sponge Iron, trading of coal fines, iron ore fines, electric and hardware materials. The major portion of the revenue is generated from trading activities for the past three years as the company was facing issues with its manufacturing activities. ASPL's manufacturing facility located in Tarapur Village, Bankura, West Bengal, has an installed capacity of 200 MT of Sponge Iron. The current utilization of the installed facility stands at 20% to 25%. Iron ore is procured from mines situated in the state of Orissa, Jharkhand and Chhattisgarh. The company has arrangements with Eastern Coalfields Ltd for the supply of coal for its production facility. The production facility of the company was completely shut down from April 2012 till August 2012 due to non-availability of iron ore.

Financial Performance

Revenue of Amiya Steel Pvt Ltd has declined from Rs. 147.08 Crs in FY12 to Rs.80.42 Crs in FY13, mainly on account of reduction both in the trading and manufacturing activities of the company. Though ASPL has operating losses for FY13, the PAT is Rs 0.04 Crs, on account of the non-operating income generated by ASPL for FY13. The firm's tangible net worth stands at Rs. 15.46 Crs for FY13, up from Rs. 12.61 Crs in the previous year FY12. Current ratio was 1.11x in FY 12 and FY13. High receivables and inventory holding days reflect the stretched liquidity position of ASPL.

Rating Outlook

The ability of the company to improve its capacity utilization, improve its revenue and profit margins by controlling operating costs, service its debts to its banks and financial institutions in a timely manner and effectively manage its working capital shall remain the key sensitivities.

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