

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' & 'BWR A3' for Bank Loan Facilities of Astrotech Steels Private Limited

Brickwork Ratings (BWR) assigns 'BWR BBB' **Rating**¹ (Pronounced BWR Triple B) with a stable outlook for the long term Bank Loan Facilities of ₹28.01Cr & 'BWR A3' (Pronounced BWR A Three) for the short term Bank Loan Facilities of ₹31.99 Cr of Astrotech Steels Private Limited

| Facility | Limit (₹ Cr) | Tenure | Rating |
|---|-----------------|------------------------------|--|
| <u>Long Term Fund Based</u> Term Loan | 20.89 | Long Term | BWR BBB (Pronounced BWR Triple B) Outlook - Stable |
| Proposed Term Loan | 7.12 | | |
| <u>Non Fund Based</u> PC | 11.30 | Short Term | BWR A3 (Pronounced BWR A Three) |
| FBP/FBN | 11.60 | | |
| Proposed working capital limits | 9.09 | | |
| Total | 60.00 | INR Sixty Crores only | |

BWR has principally relied upon the audited financial results up to FY15, projected financials, publicly available information and information/clarification provided by the Company management.

The rating, inter alia, factors in long standing experience of the promoters in steel fastener industries, various fiscal incentives available with its manufacturing facility located in Special Economic Zone. The ratings also draw comforts from growing demand for its product, wide application of the same across various industries and comfortable profitability margins. The ratings are however constrained on account of limited track record of the operations, strong linkages to construction sector and Exposure to foreign exchange risk; however it is partially offset on account of natural hedge on account of imports

Company Profile

Astrotech Steels Private Limited (ASPL), incorporated in November 2011 and promoted & managed by Mr Arun Miranda, Mr Jaison Joseph and Mr M Rajashekar. ASPL is a 100% export oriented unit situated at Sri City Special Economic Zone (SEZ), Chittoor District in Andhra Pradesh. ASPL is primarily engaged in the manufacture and export of collated and bulk fasteners (nails). Collated nails like Plastic Strip, Wire Coil, Paper Strip, and Bulk nails etc are some of company's core products. The installed capacity of the facility is currently 21552 tons per annum (TPA).

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

Currently there is an ongoing capex to enhance the capacity to 27260 TPA. In addition to the above, the company is setting up a Corrosion Resistance Coating Plant in order to position itself as a premier supplier of value added products. ASPL Plant is spread over an area of 4.94 Acres, which is taken on a 99 years lease. It is located in one of the top industrial hubs in India, with close proximity to three major sea ports that have excellent global connectivity to all major ports of the world. The entire operation is governed by stringent quality systems that ensure consistent quality and continuous improvement of all company's processes. Company's in-house R&D team works in close coordination with customers to successfully develop new products.

Financial Performance

Revenue stood at Rs111.62Cr in FY15, which has increased from Rs3.82Cr in FY13 on account of higher demand. Profit after Tax Stood at Rs5.21Cr compared to losses in FY13. On account of highly regularized and customized product portfolio the operating profit margin is on higher side. Operating profit margins stood at 12.65% in FY15. However on account higher financials charges net profit margin stood at 4.67% in FY15. Coverage ratio stood comfortable as reflected from ISCR and DSCR at 3.03x and 1.96x respectively for FY15. The planned capacity expansion as well as addition of corrosion plant is expected to go on full stream in midFY16 and thereby add to the top line as well bottom-line going forward.

Rating Outlook

The ability of ASPL to increase its scale of operations with higher utilization levels of additional capacity coupled with improving profitability margins, maintaining the coverage ratio along with improvement in liquidity and capital structure by raising of long term funds would be the key rating sensitivity.

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