



Rating Rationale

Himalayan Rolling Steel Industries Pvt Ltd

11 April 2018

Brickwork Ratings assigns rating of BWR BB- for the Bank Loan Facilities of ₹. 102.62 Crores of Himalayan Rolling Steel Industries Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	102.62	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook : stable
Total	102.62	INR One Hundred Two Crores and Sixty Two Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon Audited Financial results of FY 15-17, key provisional figures projected financial results of FY 18 and FY 19, publicly available information and clarification provided by company's Management.

The rating is constrained by weak financial risk profile as indicated by Networth base being negative , weak debt protection metrics and elongated conversion cycle and political unrest in the state of Jammu and Kashmir due to which company revenue decreased and company suffered losses in FY 17 and susceptibility to changes in raw material prices . The rating derives strength from improved revenue as per the YTD January 2018 results.

Going forward, the ability of the company to scale up its operations on a sustained basis, improve its profit margins , Net Worth base and service the debt timely would be the key rating sensitivities.

Description of Key Rating Drivers

Key Weakness

Small scale of operations: The company's scale of operations is small . Moreover company Net sales decreased to Rs 68.56 crores in FY 17 compared to Net sales of Rs 105.90 crores in FY 16



Networth base :- The company's Net Worth base stood at Rs -17.15 crores as on 31/03/2017 primarily because of losses suffered by the company due to riots and floods. The debt of the company was restructured and short term liabilities were converted into long term liabilities. The company has brought in the additional funds as per the restructuring package

Elongated cash conversion cycle : Elongated cash conversion cycle of 165 days in FY17 high level of inventory which may result into write of inventory in case of downward trend in raw material prices.

Catastrophic floods and Geopolitical risks : In 2014-15 catastrophic flood inundated whole valley and business remained shut from sep 2014 up to March 2015 which reduced the sales of the company drastically. The company recovered position in year 2015-16 and was able to make sales of Rs 106.00 crores but civil disturbances again brought the economy of Jammu and Kashmir to a halt due to which company's sales were affected adversely. Civil disturbances in the state of J&K may continue to affect the performance of the company in future also looking to the present state of affairs.

Key Strengths

Improved Revenue: The company's Net sales improved back and as per the YTD January 2018 results the company achieved Net sales of Rs 130 crores and it is estimated to achieve Rs 170 crores as per the projected financials of FY 18

Improved Networth position : As per the YTD January 2018 results, company net worth base have improved and company has introduced fresh share capital of Rs 4.0 crores and as per the projected FY18 results company net worth base is expected to improve to Rs -1.45 crores

About the Company

Himalayan Rolling Steel Industries Private Limited is a TMT steel Rolling mill with production capacity of 120000 TPA in Jammu and Kashmir and was incorporated on 29/06/2007. The company is run by three promoter directors Shahed Kamit, Shafat Karindi and Masuda Kausa. These three have 100 % shareholding on combined basis

Rating Outlook: Stable

BWR believes Himalayan Rolling Steel Industries Private Limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues, profit and liquidity position show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down, profit margins and liquidity position show lower than expected figures.



Company Financial Performance

Key Parameters	Units	2016 Audited	2017 Audited
Result Type			
Operating Revenue	₹ Cr	105.90	74.42
EBITDA	₹ Cr	10.70	5.83
PAT	₹ Cr	0.27	-0.87
Tangible Net worth	₹ Cr	-20.59	-17.15
Total Debt/Tangible Net worth	Times	-4.23	-5.86
Current Ratio	Times	1.98	2

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Cash Credit	Long Term	20.00	BWR BB-	N.A	N.A	N.A
	Funded Interest Term Loan	Long Term	8.50	BWR BB-	N.A	N.A	N.A
	Working capital term Loan	Long Term	27.23	BWR BB-	N.A	N.A	N.A
	Term Loan	Long Term	32.78	BWR BB-	N.A	N.A	N.A
	Converted Loan	Long Term	14.11	BWR BB-	N.A	N.A	N.A
	Total		102.62	(INR One Hundred two crores and sixty two lakhs only)			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments -Not applicable



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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