

Rating Rationale

Indicor Steel Pvt Ltd (ISPL)

5th April 2018

Brickwork Ratings withdraws 'BWR BB-' for the bank loan facilities of Rs 18.00 Crores and assigns 'BWR BB' for the bank loan facilities (sanctioned and proposed) of Rs 30.00 Crs of Indicor Steel Pvt Ltd ('ISPL' or the 'Company')

Particulars:

Facilities Rated#	Amount (Rs Crs)		Tenure	Rating [^]	
	Previous	Present		Previous (7-Feb-2017)	Present
Fund based: Cash credit (e-DFS**)	18.00	-	Long term	BWR BB- (Pronounced BWR Double B Minus) (Outlook: Stable)	Withdrawn*
Fund based: Cash credit (e-DFS) E-DFS (Adhoc) Proposed	- - -	23.00 2.00 5.00	Long term	-	BWR BB (Pronounced BWR Double B) (Outlook: Stable) [Assigned]
Total	18.00	30.00	INR Thirty Crores Only		

*Withdrawn on account of closure of bank Loan Facilities sanctioned by Karur Vysya Bank

**e-DFS: Electronic Dealer Financing Scheme

#Annexure I shows details of bank loan facilities

[^] Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned.

Withdrawal of rating of BWR BB- (Stable) assigned to the bank loan facilities of Rs 18.00 Crs:
Brickwork Ratings has withdrawn the Credit rating assigned to the company's bank loan facilities of Rs 18.00 Crs availed from Karur Vysya Bank as the said Bank Loans have been fully repaid to the Bank, which has issued a No Dues Certificate in this regard. The said Bank Loan facilities were rated BWR BB- [Pronounced BWR Double B Minus] (Outlook: Stable) for Rs 18.00 Crores on 7th Feb 2017.

Rating withdrawn and assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has essentially relied upon the audited financials upto FY17, 9MFY18 Provisionals, publicly available information and information / clarifications provided by the Company's management.

The rating factors the improved financial performance of the Company during FY17 & 9MFY18, improvement in operating income mostly driven by higher volumes, funding support from the promoters, increase in geographical reach and diversified portfolio of products (Astrum brand HR (Hot Rolled) sheets). The rating also positively factors the experience of the promoters, authorized dealership of Tata Steel Ltd and group support enjoyed by the Company since ISPL is a part of the Hyderabad based Jasper group of industries, engaged in Automobile dealership business (Authorized dealer of Tata Motors Limited). The rating, however, is constrained by the inherent risks related to iron & steel trading industry in terms of fragmented and intensely competitive industry, volatility in steel prices and thin profit margins owing to the trading nature of the business.

Going forward, the ability of the company to increase its scale of operations profitably, improve its credit risk profile and ensure effective working capital management will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Indicor Steel Pvt Ltd's** 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 and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Key rating drivers

Experienced Management: ISPL has experienced promoters and management. The management has extensive experience in the steel & automobile dealership industry. The Company is owned by Mr. Badiga Ramakrishna and family (promoters of Jasper Industries Pvt Ltd) and Mr K S Gopala Krishna and Mr D Venkat Ram are the directors.

Improved financial performance: ISPL's overall financial position has improved as seen in improved revenues, profitability and net worth. The Company has turned around in FY17 and has reported profit of Rs 0.26 Crs as against loss of Rs. 0.56 Crs in FY16. . On a provisional basis, the Company has reported net sales of Rs 122.24 Crs for 9MFY18.

Funding support from promoter companies: During March 2018, an additional equity of Rs 50 Lakhs has been infused into Indicor Steel by the Jasper Group through Jasper Auto Services Pvt Ltd (JASPL). JASPL also is in the process of acquiring the equity stake held by Mr. Sumanth Badiga in ISPL. ISPL is part of the Hyderabad based Jasper group of industries, engaged in Automobile dealership business (Authorized dealer of Tata Motors Limited).

Diversified portfolio of products- The Company has a diverse range of steel products viz. Astrum brand HR (Hot Rolled) sheets. ISPL is an authorized dealer of “Tata Steel Ltd” for distribution of HR coils / sheets / plates in Hyderabad and Visakhapatnam. Tata Astrum is the brand for HR Sheets & Coils from Tata Steel, which offers a wide range of products, for serving customers from different segments viz. Automotive, Railways, Yellow Goods, Agriculture, Fabrication, etc. In addition to Tata Astrum business, the Company has also added the new product line from Tata Steel i.e.; Tata Galvano (GP Products- Galvanized Plain Sheets & Coils).

Increase in geographical reach for increasing the business volumes- The Company is increasing its geographical reach to various cities such as Visakhapatnam, Vijayawada etc.

Inherent risks related to Iron & Steel trading industry- The Company faces inherent risks in terms of fragmented and intensely competitive industry and risks related to volatility in steel prices.

Trading nature of business impacting margins- The Company is mainly into trading activities, which has resulted in thin profitability margins for the Company. PAT and operating margins stood at 0.20% and 1.54% respectively for FY17.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

Indicor Steel Pvt Ltd (ISPL) was incorporated on 26th April 2013 at Hyderabad, Telangana and commenced operations from August 2013. ISPL is an authorized dealer of “Tata Steel Ltd” for distribution of HR coils / sheets / plates in Hyderabad and Visakhapatnam. Tata Steel Ltd has its own stock yard at Gannavaram, Vijayawada, Andhra Pradesh, from where ISPL receives its supplies. The Jasper group has a strong relationship with Tata Group for 60 years. ISPL has been appointed by Tata Steel as the authorized distributor to deal in HR coils/sheets/plates in Hyderabad. The Company plans to expand its operations to various cities such as Visakhapatnam, Vijayawada etc.

The company is promoted by “Galaxy Infra Services Pvt Ltd”, a company owned by Mr Badiga Ramakrishna and family (promoters of Jasper Industries Pvt Ltd) and Mr K S Gopala Krishna and Mr D Venkat Ram are the directors.

Financial Performance

Net sales mainly comprised of income from sale of HR coils and sheets. Net sales improved to Rs 129.02 Crs in FY17 from Rs 92.04 Crs in FY16 driven by higher sales volume. The Company has turned around in FY17 and has reported profit of Rs 0.26 Crs in FY17 as against net loss of Rs 0.56 crs in FY16. PAT and operating margins stood at 0.20% and 1.54% respectively for FY17. Tangible net worth was Rs 2.78 Crs as on March 31 2017. The promoters have infused additional capital of Rs. 50 Lakhs in March 2018. Total debt stood at Rs 21.75 Crs as on March 31 2017, mainly comprising short term borrowings

(working capital from the Bank). The rate of interest has now been reduced to 8.95% as compared to 11% earlier, which is expected to result in a saving of around 200 bps.

On a provisional basis, the Company has reported net sales of around Rs 122 Crs for 9MFY18. The key financial indicators are summarized in Annexure II.

Status of non-cooperation with other CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for the last three years:

Instrument/ Facility	Current Rating (2018)			Rating History		
	Tenure	Amount (Rs Crs)	Rating	7-Feb-2017 ^	27-Dec-2016	6-July-2015^^
Fund based Limits	Long term	18.00	Withdrawn~	BWR BB- (Stable) Upgraded	Rating Not Reviewed	BWR B+ (Stable) Assigned
Fund based Limits (Existing +Proposed)	Long term	30.00*	BWR BB (Stable) Assigned	Not Rated	Not Rated	Not Rated
Total	Rs 30 Crs (INR Thirty Crores Only)					

~Withdrawn on account of closure of Bank Loan Facilities

*Includes Proposed Unallocated Limits of Rs 5.00 Crs

^Amount rated: Rs 18 Crs

^^Amount rated: Rs 11 Crs

Hyperlink/Reference to applicable Rating Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

Analytical Contacts	Media
Rajee R General Manager- Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

Indicor Steel Pvt Ltd (ISPL)

Annexure I: Details of the bank facilities rated

Facilities Rated	Bank Name	Rated Limits (Rs Crs)
Fund based: Cash credit (e-DFS*) E-DFS (Adhoc)	State Bank of India, SME Branch, Saifabad, Hyderabad	23.00 2.00
Proposed	To be decided	5.00
Total		30.00 (INR Thirty Crores Only)

**e-DFS: Electronic Dealer Financing Scheme*

Indicor Steel Pvt Ltd (ISPL)

Annexure II
Key Financial Parameters

Particulars	31/Mar/2016	31/Mar/2017
Result Type	Audited	Audited
Net Sales (Rs Crs)	92.04	129.02
EBITDA (Rs Crs)	0.33	1.99
PAT (Rs Crs)	-0.56	0.26
Tangible Net Worth (Rs Crs)	0.52	2.78
Total Debt/TNW (Times)	24.08	7.83
Current Ratio (Times)	0.99	1.05

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.