

## Rating Rationale

**Isko Strip Pvt Ltd**

**October 05, 2017**

**Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 10.10 Crs of Isko Strip Pvt Ltd**

### Particulars:

Facilities Rated	Amount (Rs. Crs)	Tenure	Rating *
<b>Fund Based</b>	<b>10.10</b>	<b>Long Term</b>	<b>BWR B+ (Pronounced BWR Single B+ ) (Outlook: Stable)</b>
Cash Credit	7.00		
Term Loan	3.10		
<b>Total</b>	<b>10.10</b>	<b>INR 10.10 Crores (INR Ten Crores and Ten Lakhs Only)</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Rating Sensitivities:

BWR has essentially relied upon the Company's audited financial results of FY17, projected financials up to FY20, publicly available information and the information/clarifications provided by the Company.

The ratings draw strength from the industry experience of the promoters and the successful execution of the project and commencement of commercial production in April 2016 with a minor time delay of about three months. The rating also notes that infusion of equity and unsecured loans have been infused, as per the stipulation of sanction by the lenders.

The ratings are, however, constrained by a high gearing, low profitability and a stressed liquidity. The company faces intense competition from several similar players in the unorganized sector as well as from the well-established entities in the organized sector.

**Analytical Approach:** BWR has factored in the rating criteria used has been mentioned in the hyperlinks given below for reference.

### Credit Risk Analysis:

The promoters are well experienced with adequate exposure to similar business. The company has reputed clientele base, including KYB Conmat.

FY17 was the first full year of operations for the company. The financial risk profile is average. The gearing is high with total outside liabilities to tangible net worth (adjusted) at 2.95. Profitability is low with NPM at 0.78% and the liquidity is stressed. With stabilization of operations, the financial risk profile is expected to improve in FY18.

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The company has infused equity and unsecured loans as stipulated by the lenders. During the first quarter of FY18, the company has reported revenues of Rs.10.00 Crs against the projections of Rs.27.52 Crs for the full FY18. However, considering the annual installed capacity of 33600 tons, the company is likely to be at a relatively low scale of operations.

### Rating Outlook: Stable

BWR believes that Isko Strip 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.

### About the Company:

Isko Strip Private Limited., incorporated on 28 August 2015, is involved in metal processing and offers a wide range of services. The supply and service portfolio of ISPL includes sourcing of raw materials, slitting, cutting and packaging of Hot-Rolled, Cold-Rolled, Galvanized Plain, Color Coated Stainless Steel and Aluminum. The company is promoted by Mr. Ronakkumar Jayantilal Shah and Mr. Sanjaybhai Ishvarlal Kothari.

### Company's Financial Performance:

The company started its commercial operations from April 2016.

Key Financial Figures			
Particulars	Unit	FY16	FY17
Operating Income	Rs. Crores	N.A	27.34
EBITDA	Rs. Crores	N.A	0.99
PAT	Rs. Crores	N.A	0.21
Tangible Net worth	Rs. Crores	N.A	1.51
TOL :TNW(Adjusted)	Times	N.A	5.77
Current Ratio	Times	N.A	0.99

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (July 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1.	Cash Credit	Long Term	7.00	BWR B+	NA	NA	NA
2.	Term Loan		3.10				
<b>Total</b>			Rs 10.10 crores (INR Ten Crores and Ten Lakhs Only.)				

**Hyperlink/Reference to Applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto: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.

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