



## Rating Rationale

MA Steel Tube Company

10 Jan 2020

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 6.50 Crores of MA Steel Tube Company.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2019)	Present
Fund based	1.25	1.25	Long Term	BWR B+ Outlook: Stable	BWR B+ Reaffirmed Outlook: Stable
Non Fund Based	5.25	5.25	Short Term	BWR A4	BWR A4 Reaffirmed
Total	6.50	6.50	INR Six Crores Fifty Lakhs Only		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### RATING ACTION / OUTLOOK: Stable

BWR has essentially relied upon the audited financial results up to FY19, projections provided by the company and information/clarification provided by the proprietor .

The rating reaffirmation factors the vast experience of the proprietor in the industry, increasing trend observed in revenues and healthy liquidity position. The rating is, however, constrained by low tangible networth, low debt protection matrix and inherent risk associated with proprietorship firm.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR believes MA Steel Tube Company's business risk profile will be maintained over the medium term.

Going forward, the ability of the firm to achieve the projected revenue with improvement in profitability and stability of operations would be key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Experienced proprietor:** The proprietor is having experience of 17 years in the current line of business and thus has access to established network.



- **Increasing trend in the revenue** : Revenues have witnessed a y-o-y increase in top line. The firm has achieved a growth of 18.43% in FY19 as against FY 18.
- **Comfortable liquidity and ROCE**: Liquidity is moderate with CR at 1.29x in FY 19. ROCE at 13.02% in FY19 shows comfortable returns

#### **Credit risks:**

- **Low net worth and a high gearing restricting financial flexibility**: The TOL / TNW is very high at 9.31x in FY 19. Gearing remains high with Total debt/TNw at 1.42x in FY19 restricting financial flexibility.
- **Low debt repayment capacity**: ISCR is comfortable at 1.96x in FY 19. However the DSCR stands below 1 showing inadequate debt repayment capacity.
- **Inherent risk of proprietorship constitution**: Withdrawal of capital risk is associated with a proprietorship concern,

#### **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).

#### **Rating Sensitivities:**

Going forward, the ability of the firm to achieve its projected revenues, profitability and improve its debt protection metrics would be the key rating sensitivities.

**Positive:** The rating may be positively revised if there is substantial growth in revenue and profits.

**Negative:** The rating may be adversely affected if there is deterioration in revenues and profitability margins of the firm.

#### **Liquidity Position- Comfortable**

Liquidity is moderate with CR at 1.29x in FY 19. The same has declined from 2.03x in FY18

#### **About the Firm**

M. A Steel Tube Co. was established in Aug.2002 as a proprietorship firm. The firm is run under the proprietorship M. Arifbhai A. Gafarbhai Dholial who has adequate experience of about 17 yrs in the current line of business activity. The firm is engaged in Trading (Import-Export) of steel pipe tube, scraps.

**Key Financial Indicators:**

Key Parameters	Units	2019	2018
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Total Operating Income	₹ Cr	56.43	66.83
EBITDA	₹ Cr	0.92	0.75
PAT	₹ Cr	0.39	0.43
Tangible Net worth	₹ Cr	1.46	1.74
Total Debt/Tangible Net worth	Times	3.56	1.42
Current Ratio	Times	2.03	1.29

Key Covenants of the facilities rated: N.A

Status of non-cooperation with previous CRA (if applicable)-N.A

**Rating History for the last three years**

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	24 Jan 2019	18, Jan 2018	2017
1	<b>Fund Based</b>	Long Term	1.25	BWR B+ Reaffirmed Outlook: Stable	BWR B+ Outlook: Stable	BWR B+ Outlook: Stable	Not Rated
2	<b>Non Fund Based</b>	Short Term	5.25	BWR A4 Reaffirmed	BWR A4	BWR A4	
	<b>Total</b>		<b>6.50</b>	<b>₹ Six Crores Fifty Lakhs Only</b>			

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website

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**M/s MA Steel Tube Company**  
**Annexure I**  
**Details of Bank Facilities Rated by BWR**

SI No.	Name of the Bank	Type of Facilities	Long Term (₹ Crs)	Short Term (₹ Crs)	Total (₹ Crs)
1.	Corporation Bank	Cash Credit	1.25	-	1.25
		Letter of Credit	-	5.25	5.25
	<b>Total</b>		<b>1.25</b>	<b>5.25</b>	<b>6.50</b>

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