

Rating Rationale

Brickwork Ratings assigns ‘BWR BB-’ & ‘BWR A4’ for the Bank Loan facilities aggregating ₹ 24.50 Cr to Maa Saraswati Steel Re-Rolling Mills Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities by State Bank of Hyderabad for Maa Saraswati Steel Re-Rolling Mills Private Limited (*‘MSSRMPL’ or The ‘Company’*).

Facilities (Existing)	Limits (₹ Cr)	Tenure	Ratings
Cash Credit	24.00	Long Term (Fund Based)	BWR BB- (Pronounced BWR Double B Minus) Outlook -Stable
Bank Guarantee	0.50	Short Term (Non-Fund Based)	BWR A4 (Pronounced BWR A Four)
Total	24.50	(Twenty Four Crores and Fifty Lakhs only)	

BWR has principally relied upon the audited financial results up to FY14 & projections till FY16, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, experience of the promoters in the Thermo-Mechanically Treated (TMT) bars manufacturing industry, collaboration with H&K Rolling Mill Engineers Private Limited for Thermex 500 cooling technology and long standing relationship with the customers. However, the rating is constrained by intense competition from other similar players, concentration of customers & suppliers base, thin profitability margins and high external borrowing.

Background:

Maa Saraswati Steel Re-Rolling Mills Private Limited (MSSRMPL) was incorporated in 2010 under the leadership of Mr. Rakesh Kumar Gupta. It was previously established in 1990 as a partnership Firm namely “Saraswati Steel Industries” by Mr. Rakesh Kumar Gupta. The Company is located in Jalna, Maharashtra with a built-up area of ~2 Acres and has 110 employees. MSSRMPL is engaged in the manufacturing of Thermo-Mechanically Treated (TMT) steel bars in various sizes ranges from 8 mm to 25 mm with an installed production capacity of 60,000 MT per annum. It has collaboration with H&K Rolling Mill Engineers Private Limited for Thermex 500 cooling technology, which is patented by Hinnigsdorfer Stahi Engineering GMBH, Germany. Thermex 500 is a cooling technology by which hot iron passes through pressurized cold water which provides toughness, ductility and welding ability in TMT bars. MSRMPPL uses Thermex technology to manufacture TMT bars, which are more acclaimed in the market due to their superiority in terms of high yield strength, surface hardness, toughness,

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

ductility & weld ability. The Company also uses H&K's brand and markets product under the name "Saraswati Thermex 500". The main raw material for manufacturing of TMT bars is billets or ingots, which the Company procures from local billets manufacturers in Jalna, Maharashtra.

Management Profile:

Mr. Rakesh Kumar Gupta is the Managing Director of the company and has a professional experience of 25 years in TMT bars manufacturing industry. Presently, Mr Rakesh Kumar Gupta holds 57.90% stake in MSSRMPL. Mr. Kunal Gupta is the Director of the Company and has gained extensive knowledge and experience in this line of business. He has over 10 years of experience and manages day to day activities of the Company. Other shareholders of the Company are family members.

Financial Performance:

The Company's revenue from operations has reduced by 4.65 % from ₹ 97.35 Crs in FY13 to ₹ 92.82 Crs in FY14. However, the operating margins have increased from 3.72% in FY13 to 4.72% in FY14 .PAT has also increased from ₹ 0.20 Crs in FY13 to ₹ 0.33 Crs in FY14 mainly due to decline in operating expenses. Company has infused additional capital resulting in increase in tangible net worth to ₹ 5.50 Crs as at March 31, 2014. The main borrowing of the Company relates to working capital facilities from banker and the ratio of Total Debt: Tangible Net worth was high at 4.92 X in FY14.

On provisional basis, the Company has achieved estimated net sales of ₹ 65 Crs for the period April 2014 –September 2014.

Rating Outlook:

The outlook of the Company is expected to be stable during the current year. The Company's ability to expand its scale of operations, improve its margin levels, infuse more funds for future growth and manage its inventory and working capital efficiently would be key rating sensitivities.

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