



RATING RATIONALE

11 Oct 2019

SHARU STEELS. PVT LTD.

Brickwork Ratings upgrades the ratings for the Bank Loan Facility of ₹ 37 crs. of SHARU STEELS PVT LTD

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2018)	Present
Fund based	17.00	17.00	Long Term	BWR BB- (Stable))	BWR BB (Stable) (Upgrade)
Non Fund based	20.00	20.00	Short Term	BWR A4	BWR A4 (Reaffirmation)
Total	34.00^	37.00	INR Thirty Seven Crores Only		

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

^ Fund Based Plus Non Fund Based ceiling is Rs 34.00 Cr.

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork rating upgrades the rating from BWR BB- to BWR BB for long term with Stable Outlook and reaffirm short term rating at BWR A4.

The upgrade of the rating is on account of consistent growth in the top line from last 3 years , besides moderate financials of the company.

The outlook is Stable as the company has been able to sustain its topline and expected to achieve its projection for FY20.



KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, projections upto FY20, publicly available information and information/clarification provided by the management.

Key Strengths

- **Experienced Promoters** : Promoters of the company has experience of more than 2 decades in the same line of business activity.
- **Growing scale of operations** : Revenue growth of the company is consistent over the years. Total Operating Income of the company has improved from Rs 104.75 Cr in FY18 to Rs 168.60 Cr in FY19. As advised by the company turnover of RS 87.02 Cr has been achieved till 25th Sep,2019
- **Moderate Debt protection Metrics** : The debt protection of the company is moderate, indicated by ISCR of 1.42X in FY19 against 1.38X in FY18.
- **Improved Operating Cycle** : Conversion cycle of the company has improved from 125 days in FY18 to 85 days in FY19.

Key Risks

- **Declined Profit margins** : Net profit margins of the company has declined from 1.07% in FY18 to 0.69% in FY19 and operating profit margins has declined from 5.34% in FY18 to 3.77% in FY19 due to increase in employee benefit and other expenses in FY19.
- **Raw material Price fluctuation risk and Competition** : Susceptibility of Raw material risk is there since raw material cost of more than 73% is a major contributor of operating cost and any adverse change in the prices of raw materials could affect the profit margins of the company , besides competition from peers could affect adversely the profit margins in future.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Going forward, the company's ability to improve its profit margins and capital structure would be key sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive and the rating may be upgraded if the company is able to improve its profit margins and leverage position. Any infusion of additional equity would help to improve the capital structure of the company.

Negative: The rating may be downgraded if the company achieve lower revenue than projected financials. Any additional debt will lead to further deterioration in the financial risk profile such as deterioration in gearing, profit margins.

LIQUIDITY POSITION (adequate)

The company has cash accruals (PAT +Dep) of Rs 1.94 Cr in FY19 against Rs 1.78 Cr in FY18. It has not availed term loans. Cash and Cash equivalent of the company is Rs 2.21 Cr in FY19. Utilization of the working capital was 80% for the period March 2019 to Sep. 2019.

COMPANY PROFILE

The company was incorporated in 1987 was formerly known as Amita Spinners Pvt. Ltd., The company is engaged in manufacturing of steel ingots, bars, rounds and other allied steel products, with its manufacturing facility being located at Ludhiana, Punjab.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Crs	104.75	168.60
OPBDIT	Crs	5.60	6.35
PAT	Crs	1.12	1.16
Tangible Net Worth(Analyzed)*	Crs	12.40	14.70
Total Debt/TNW(Analyzed)	Times	2.57	2.23
Current Ratio	Times	1.21	1.25

**considering unsecured loans as quasi equity.*



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: Rating moved to Issuer Non Cooperation by ICRA on 03 April 2018.

RATING HISTORY

Instrument / Facilities	Current Rating (2019)			Rating History			
	Tenure	Amount (₹ Cr)	Rating	Sep,2019	June,2018	Nov,2017	2016
CC	Long Term	17.00	BWR BB (Stable)	Rating Not Reviewed	BWR BB- (Stable)	BWR B+ (Stable)	NA
ILC/FLC ILG	Short Term	20.00 (5.00)	BWR A4		BWR A4	BWR A4	
Total		37.00	INR Thirty Seven Crores Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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



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SHARU STEELS PVT LTD

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	PNB Bank	CC	17.00	-	17.00
		ILC/FLC	-	20.00	20.00
		ILG	-	5.00	5.00
TOTAL					37.00*

Total INR Thirty Seven Crores Only

**Non Fund based limits capped at Rs 20.00 Cr while combined Fund Based & Non Fund Based limits capped at Rs 37.00 Cr.*



For print and digital media

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DISCLAIMER

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