Rating Rationale

Salasar Steel Industries **15 Mar 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.75 Crores of Salasar Steel Industries.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Term Loan WCTL	 6.00 2.00 1.00	**Long Term**	**BWR B+** (Pronounced as BWR Single B Plus) **(Outlook : Stable)**
Non Fund Based Bank Guarantee	 0.75	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Total	**9.75**	**INR Nine Crores and Seventy Five Lakhs Only**	

* WCDL of Rs.1.50 Crores is a sub limit of CC
*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statement upto FY18 and projected financials upto FY20 and publicly available information and information/clarifications provided by the firm.

The rating derives strength from the partner's experience in the steel industry, Increasing Top line YOY, Moderate liquidity position. However, the rating is constrained by Low debt coverage indicator ,Low Networth though firm has infused capital in December 2018, High gearing and Reduced OPM & NPM. Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Experience of the partners is over a decade in Steel Industry.
- Revenue increased reflected by sales of Rs.33.23Crs in FY18 VS Rs.25.08Crs in FY17
- Moderate Liquidity Position reflected by C.R. 1.74x in FY18 VS 1.41x in FY17.

Credit Risks:

- Operating profit margin level has reduced to 3.42% in FY18 from 5.35% in FY17 and PAT margin level has also reduced to 0.57% in FY18 from 1.32% in FY17.
- Low & reduced Debt protection metrics, ISCR of 1.75x in FY18 as against ISCR of 2.09x in FY17,DSCR of 1.34x in FY18 as against DSCR of 1.59x in FY17.
- High & increased gearing ratio reflected to 2.53 x in FY18 as against 2.15x in FY17.
- Low NET WORTH though the firm has infused capital in December 2018.

Liquidity Profile

The firm has cash & cash equivalent stood at Rs.0.81 Crs as on March 2018.The average utilisation of the working capital is at 80 %.The Current ratio is above standard stood at 1.74x as on March 2018.

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 Outlook: *Stable*

BWR believes the **Salasar Steel Industries** 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 Firm

Salasar Steel Industries was established in October 2010.It is a partnership firm.It is located at Bhavnagar, Gujarat. Mr. Hiten Bhandari and Mr. Hitesh Bhandari are the partners of the firm. They have experience over a decade in the steel industry. The firm is engaged in the manufacturing of non alloys steel. It mainly manufactures the C.T.D. Bar, Angel, Channel Patta etc.

Firm Financial Performance

Net Sales has increased to ₹33.23 Cr in FY18 from ₹25.08 Cr in FY17. PAT has reduced to ₹0.19Cr in FY18 from ₹0.33 Cr in FY17.The firm reported revenue ₹ 31.00Cr from April to 31st January 2019.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	33.23	25.08
EBITDA	₹ Cr	1.14	1.34
PAT	₹ Cr	0.19	0.33
Tangible Net worth	₹ Cr	1.94	1.97
Total Debt/Tangible Net worth	Times	2.53	2.15
Current Ratio	Times	1.74	1.41

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based**	Long Term	9.00	**BWR B+** (Pronounced as BWR Single B Plus) **(Outlook : Stable)**	-	-	-
2	**Non Fund Based**	Short Term	0.75	**BWR A4** (Pronounced as BWR A Four)	-	-	-
	Total		**9.75**	**₹ Nine Crores and Fifty Five Lakhs Only**			

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt

For any other criteria obtain hyperlinks from website

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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