Rating Rationale

Sarwottam Ispat Limited

25th March, 2017

Brickwork Ratings revises the ratings for the Bank Loan Facilities of INR 16.75 Crs of Sarwottam Ispat Limited ('SIL' or the 'Company')

Particulars

Facility Rated	Amounts (INR Crs)		Tenure	Ratings ^	
	Previous	Present		Previous	Present
Fund Based	**8.85**	**8.85**	**Long Term**	**BWR BBB- Outlook: Stable**	**BWR BB+** (Pronounced BWR Double B Plus) **Outlook: Stable** (Downgrade)
Non-Fund Based	**7.90**	**7.90**	**Short Term**	**BWR A3**	**BWR A4+** (Pronounced BWR A Four Plus) (Downgrade)
Total	**16.75**	**16.75 (Rupees Sixteen Crores And Seventy Five Lakhs Only)**			

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

Ratings Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has principally relied upon the audited financials of the Company up-to FY16, estimated turnover achieved by the Company in 11MFY17, projections up-to FY18 and publicly available information and information/clarifications provided by the management.

The Ratings continue to factor in promoters' experience in Iron & Steel Industry, established relationship with clients and suppliers, moderate gearing on account of infusion of funds in the form of unsecured loan by the promoters in FY16 and absence of term liability rendering the financial flexibility to the company for its operations. The ratings are however constrained by the modest financial profile of the Company, decline in the top-line in FY16 against the previous years; fluctuating PAT, low capacity utilization, inherently working capital intensive nature of operations and high competition. Going forward, the Company's ability to improve the Key financial parameters: top-line, operating margins, coverage metrics, and optimize capacity utilization would remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes the Sarwottam Ispat Limited'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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Sarwottam Ispat Limited was incorporated in 1984. The Company is based out of Hyderabad, with registered office at 11B Jatindra Mohan Avenue, Kolkata.

The Company is engaged in manufacturing and trading of ingots, billets and TMT bars. The TMT bars are sold under the brand name 'Sarwottam TMT', in different sizes – 8, 10, 12, 16, 20, 25 & 32 mm. The installed capacity for Ingots/Billets is 40,000 MTPA and for TMT bars is 50,000 MTPA. The Company's rolling mill is automated with German based 'Turbo Technology' for quencing and tempering. The manufacturing unit of the Company is located in Medchal, Ranga Reddy district of Telangana.

Shri Om Prakash Jalan, Shri Rishabh Lath and Shri Subhash Goenka are the current directors of the Company.

Company Financial Performance

Against INR. 118.58 Crs of sales (at gross level) in FY15, the Company reported sales of INR. 82.22 Crs in FY16. The decline was mainly due to dimmed steel industry outlook and pricing issues. As informed by the management, the Company has achieved Net sales of ~ INR. 76.26 Crs till Feb, 2017. And the promoters have infused unsecured loan to the tune of INR. 5.80 Crs in FY16 to strengthen the capital structure.

Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (March, 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Dec 31, 2016	April 02, 2015	2014
1.	Fund Based	Long Term	8.85	BWR BB+ (Outlook: Stable) *(Downgrade)*	Not Reviewed	BWR BBB- (Outlook: Stable)	-
2	Non Fund Based	Short Term	7.90	BWR A4+ *(Downgrade)*	Not Reviewed	BWR A3	-

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Due to non-availability of information, the Rating was moved to 'Rating Not Reviewed' category in Dec, 2016

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Manufacturing Companies**
- **Approach to Financial Ratios**
- **Short Term Debt**

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For print and digital media

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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, 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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