

Rating Rationale

Brickwork Ratings assigns ‘BWR B- (Outlook: Stable)/ BWR A4’ Ratings for the Bank Loan Facilities of Shiv Steel Industries

Brickwork Ratings has assigned the following **Ratings¹** for the Bank Loan Facilities of Shiv Steel Industries ('SSI' or the 'Firm'), amounting to ₹ 10.50 Cr:

Facilities	Tenure	Amounts to be Rated (₹ Cr)	Ratings ¹
<u>Fund Based</u> <u>Cash Credit</u>	Long Term	8.50	BWR B- (Pronounced BWR Single B Minus) Outlook: Stable
<u>Non- Fund Based</u> <u>BG</u>	Short Term	2.00	BWR A4 (Pronounced BWR A Four)
Total		10.50 (INR Ten Crores and Fifty Lakhs Only)	

BWR has principally relied upon the audited financials of Shiv Steel Industries up-to FY15, provisional financials for FY16, projections up-to FY18 and publicly available information and information/ clarifications provided by the management.

The Ratings draw strength from the promoters' experience in steel and allied industries and synergy from similar business group concern. The Ratings are however constrained by the small scale of operations, y-o-y decline in the top-line, low cash accruals, moderate interest coverage capacity, working capital intensive nature of operations and limitations of partnership nature of operations.

Background

Shiv Steel Industries is a partnership Firm, established in the year 2006. The Firm's Registered Office is in S. J. Road, Athgaon, Guwahati. Mr. Ratan Lal Bhati and his spouse Mrs. Rukmini Devi Bhati are the current promoter Partners of the Firm.

The Firm is engaged in the manufacturing and trading of Steel Tubular Poles/Pipes, which are used in making steel structures. The manufacturing Unit is located in Changsari, ~ 30 Kms from Guwahati, with an installed capacity is 24000 MTPA. Products Manufactured are sold under the brand name "Shivam", which is the same brand name used by its group concern, "Shivam Pipe Industries". "Shivam Pipe Industries" was established in 2012 and is into the same line of business.

Basic Raw materials are hot rolled coils, which are procured mainly from SAIL through NSIC. The Firm's clients are spread across Assam and its neighbouring states.

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

Management Profile

Mr. Ratan Lal Bhati and his spouse Mrs. Rukmini Devi Bhati are the current Partners of the Firm. Mr. Ratan Lal Bhati, having around 25 years of business experience and looks after the overall operations of the Firm.

Financial Performance

As per the provisional financials, the Firm reported a turnover of ~₹10.29 Crs in FY16 against ₹ 15.55 Crs in FY15; however, the PAT has improved from ₹ 0.05 Crs to ₹ 0.07 Crs. The tangible net-worth of the Firm stood at ₹ 4.32 Crs in FY16 (Prov). ISCR though improved marginally in FY16, remains area of improvement. The Working Capital Cycle remains elongated mainly on account of high inventory level relative to the top-line.

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Firm's ability to improve the parameters such as top-line, cash accruals, working capital cycle (particularly the inventory level) would remain the key rating sensitivities.

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