Rating Rationale

Shri Krishna Steel Industries

20 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Shri Krishna Steel Industries.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	8.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook:Stable
Total	8.00	INR Eight crore Only	

*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 projected financials upto FY 2023, publicly available information and clarification provided by the company's management.

The rating draw strength from the experience of the management in the steel industry as well as other business, strategic location of plant in steel producing belt of chattisgarh. However rating is partially offset by exposure to risks related to timely completion of project including cost and time overrun.

The ability of the company to ensure timely implementation of the project and within estimated cost, and achieve projected revenue would be its key rating sensitivity.

Description of Key Rating Drivers
Credit Strengths: ● Extensive experience of the partners in the related field of Industry. ● Unit is strategically located in one of the Steel producing belts in Raigarh (Chattisgarh) which results in lower logistic expenditure.
Credit Risks: ● The Trial Run /commercial production is yet to start and Project implementation/execution risk still remains. ● Capital structure as reflected through TNW is reported at Rs.2.69cr as on March 2019 (Management certified), latest updated position showing introduction of funds and its application remains to be seen. ● No existing order book or proposed clientele in order to materialise projected sales. ● Exposed to the cyclicality inherent to the steel industry, which limits the pricing flexibility of the industry participants. Highly competitive and fragmented nature of the industry. ● Licence/ approval are under process.

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).

Liquidity Profile: Liquidity profile of the firm is marked by projected current ratio of 2.30x in Fy20 Projections. Cash and Cash Equivalents are reported at Rs.1.83cr in Fy20 Projections. Firm projects negligible current investments.

Rating Outlook: Stable

BWR believes the **Shri Krishna 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

Established in 2017, Shree Krishna Steel Industries is a partnership firm engaged in manufacturing of MS Billets, through setting up of induction furnace and concaster plant. Firm is managed by Mr Ashok Kumar Agarwal and Krishna Mittal.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	NA	NA
EBITDA	₹ Cr	NA	NA
PAT	₹ Cr	NA	NA
Tangible Net worth	₹ Cr	NA	NA
Total Debt/Tangible Net worth	Times	NA	NA
Current Ratio	Times	NA	NA

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based** Cash Credit Term Loan	Long Term	**8.00** 3.00 5.00	**BWR B (Pronounced as BWR Single B) (Outlook: Stable)**	**Not Rated**	**Not Rated**	**Not Rated**
	Total		**8.00**	**₹ Eight crore only**			

Status of non-cooperation with previous CRA (if applicable)- Nil
Any other information: Nil

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor Contacts
Sushil Kumar Chitkara Associate Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 sushilkumar.c@brickworkratings.com **Shubham Dayama** Ratings Analyst D : +91 22 6745 6644 B :+91 22 2831 1426, +91 22 2831 1439 shubham.d@brickworkratings.com	**Satish Nair** Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com
1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.