

Rating Report

Brickwork Ratings assigns 'BWR BB+' for the Bank Loan Facilities of ₹ 18.80 Cr of Abhirama Steels Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan facilities of ₹ 18.80 Cr of Abhirama Steels Limited ('ASL' or 'the Company').

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based : Cash Credit	15.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus) (Outlook: Stable)
Fund Based : Term Loans I	3.35		
Fund Based : Term Loan II	0.45		
Total	18.80	(INR Eighteen Crores and Eighty Lakhs only)	

Note: Term Loan I and Term II are the outstanding balances as on June 30, 2014.

BWR has principally relied upon the audited results up to FY14, provisional financials for July 31, 2014 and Projections for FY15, publicly available information and information / clarifications provided by the management.

The rating reflects the established track record of the company, promoter's extensive industry experience in the Steel (TMT) manufacturing business for more than five years, moderate tangible net worth with healthy debt sustainability indicators in FY14. However, the rating is constrained by the relatively modest scale of operations, sub optimal capacity utilisation with single product line coupled with stagnated sales FY13 & FY14 and its susceptibility to raw material prices which are volatile.

Background:

M/s. Abhirama Steels Private Limited was incorporated as a private limited in the year 2008, with Mr. Abhishek Palaparthi and Mr. Palaparthi Venkata Ramana Murthy as directors of the Company. In 2013 the Company reconstituted itself as limited company as M/s. Abhirama Steels Ltd.

The company is into manufacturing of thermo-mechanically-treated (TMT) steel bars for construction industry (Residential, Infrastructure, Project etc.), it is a single product line of business activity with the various sizes from 8MM to 32 MM and raw materials are Billets and Ingots. Steel rolling unit is located in Chityal and corporate office located in Hyderabad,

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

Telangana. It has registered brand of “Abhirama TMT”, through distribution channel in Telangana and Karnataka states with turnover of 60 per cent and 40 per cent respectively. It has ISO 9001:2008 certification. Market segment is concentrated to Andhra Pradesh, Karnataka and Telangana.

The company is working with the capacity of installation is around 54000MT with maximum utilization capacity of ~ 50 per cent in FY14 and company have ~ 150 employees (Including Office staffs and 130 Labours).

Management Profile:

Mr. Abhishek Palaparthi is the Managing Director and graduated in Master of Business Administration and has extensive experience of more than five years in managing business. Ms. Shikha Palaparthi, is an executive director and has worked as a HR executive with the notable company in India also has good experience in training employees. Currently, she is head of Operations and HR for Abhirama Steels Limited also represents to external clients, handles PR, Maintenance and Quality Control. During 2013, Mr. Suryaprakash Singapuri was inducted as non-executive director and is also Chairman and managing director for M/s. Shan Solar Pvt Ltd, Bangalore.

Financial Performance:

ASL reported Net revenue from operations of ₹171.86 Crores and net profit of ₹ 1.35 Crores in FY 14 as against Net revenue from operations of ₹169.62 Crores and net profit of ₹0.80 Crores in FY13. The Company's Net worth as at March 31, 2014 was ₹ 18.48 Crores increased from ₹ 18.25 Crores as at March 31, 2013.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the company's ability to scale up its operations, improve capacity utilisation levels, improve margins, and sustain operating cycle will be the key rating sensitivities.

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Abhirama Steels Limited
Statement of Profit & Loss

Annexure I

₹ Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Gross Sales	130.22	182.67	182.99
Excise Duty/Sales Tax	14.35	13.05	11.13
Net Sales	115.87	169.62	171.86
Other Operating Income	0.00	0.00	0.00
Total Operating Income	115.87	169.62	171.86
Operating Expenses	112.01	164.62	166.19
OPBDIT	3.86	5.00	5.67
Depreciation/Amortization/Impairment	0.86	0.92	1.35
OPBIT	3.00	4.08	4.32
Interest and Finance Charges	2.07	2.56	2.71
OPBT	0.93	1.52	1.62
Non-Operating Income(Expenses)	0.00	0.12	0.08
PBT	0.93	1.64	1.70
Extraordinary/Prior Period - Income(Expense)	0.00	-0.60	-0.09
Provision for Taxes	0.39	0.24	0.26
PAT	0.53	0.80	1.36

Abhirama Steels Limited
Balance Sheet

Annexure II

₹ Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Liabilities			
Equity and Reserves	8.94	18.25	18.48
Share capital	1.62	2.08	2.08
Share Application money Pending allotment	1.07	3.47	0.09
Reserves and Surplus	6.25	12.70	16.31
Non-current liabilities	15.71	7.33	6.16
Long-Term Borrowings	15.30	5.99	5.26
Deferred tax Liabilities (Net)	0.40	0.62	0.88
Other Long Term liabilities	0.00	0.72	0.01
Current liabilities	14.81	18.46	18.43
Short-Term Borrowings	7.11	11.33	14.67
Current Portion Of Long Term Debt	1.75	1.96	1.01
Trade Payables	5.47	4.19	1.96
Other Current Liabilities	0.07	0.54	0.28
Short-Term Provisions	0.41	0.43	0.51
Total Liabilities	39.46	44.04	43.07
Assets			
Non-current assets	17.86	18.86	18.28
Net Fixed assets	16.29	18.72	18.22
Capital Work-In-Progress	1.45	0.00	0.00
Other Non-Current Assets	0.11	0.13	0.06
Current assets	21.60	25.17	24.79
Inventories	7.94	7.87	8.86
Trade Receivables > Six Months	0.00	0.48	0.57
Trade Receivables < Six Months	7.69	13.64	12.87
Cash and Cash Equivalents	1.11	0.32	0.63
Short-Term Loans and Advances	2.22	1.18	0.09
Other Current Assets	2.65	1.69	1.76
Total Assets	39.46	44.04	43.07

Abhrama Steels Limited

Key Ratios

Annexure III

Key Ratios	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Total Debt/ Tangible Net worth (Times)	2.70	1.06	1.13
Tangible Net Worth (In ₹ Crores)	8.94	18.25	18.48
Net Profit Margin (Per cent)	0.46	0.47	0.79
Operating Profit Margin (Per cent)	3.34	2.95	3.30
ROCE (Per cent)	10.76	11.40	10.44
Current Ratio (Times)	1.46	1.36	1.34