

Rating Report

Brickwork Ratings upgrades long term rating from BWR B+ to ‘BWR BB-’ (Outlook: Stable) and reaffirms short term rating ‘BWR A4’ for existing and enhanced bank loan facilities aggregating `11.45 Crores of Akash Steel Crafts Private Limited (“ASCPL” or “the Company”).

Brickwork Ratings (BWR) has upgraded **Ratings¹** to BWR BB- (Pronounced BWR Double B minus) for the long term bank loan facilities of ` 6.45 Crores and reaffirmed BWR A4 (Pronounced BWR A four) for the existing and enhanced short term bank loan facilities of ` 5.00 Crores of Akash Steel Crafts Private Limited (ASCPL or the Company)¹.

Facility	Previous Limits (` Crs)	Present Limits (` Crs)	Tenure	Rating History	Revised Rating
Fund Based (FB)					
Cash Credit	6.45	6.45	Long Term	BWR B+ (Pronounced BWR B plus) (Outlook -Stable)	BWR BB- (Pronounced BWR Double B minus) (Outlook -Stable)
Non - Fund Based (NFB)					
LC – Inland / Import	4.00	5.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
BG	-	(5.00)			
FBG/LOU for Buyers’ Credit	-	(5.00)			
Total Limits	10.45	` 11.45 (INR Eleven Crores and Forty – Five Lakhs Only)			

* Amounts in brackets (*) are sub-limits of the LC Facilities

BWR has principally relied upon audited financial results of FY14, provisional financials of FY15, publicly available information and information/clarification provided by the Company management.

The rating inter alia factors Diversified product portfolio which reduces the dependence on the performance of a particular industry and promoters’ ability to infuse capital as per business requirements. The rating continues to factor promoter’s extensive experience in steel industry and well established relationship with the customers.

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

However the rating remains constrained by low net worth, thin margins, expose to exchange risk and not met the projected revenue for FY14. The rating is further constrained on account of Industry characterized by severe competition from organized and unorganized players in market.

Background

Dolphin Frozen Foods Pvt Ltd was incorporated on 12th Dec 1996 and later the name was changed to Akash Steel Crafts Pvt. Ltd (ASCPL) on 8th Sep 2005, with the new management takeover of the Company. Mr. C.N Mohanan is the managing director having two decades of experience in steel manufacturing and trading. ASCPL is involved in manufacturing of Stainless Steel Pipes & Tubes. The Company's 35000 sq. ft. manufacturing facilities is located at Taloja, Maharashtra.

Financial Performance

Operating income of the Firm increased from Rs 26.00 Crores in FY13 to Rs 38.04 Crores as per provisional financials of FY15. The reason for muted growth in FY13 and FY14 was on account of low demand in the industry, as per management. The growth in sales in FY15 is on account of increasing demand. Networth of the Company is recorded at Rs 2.68 Crores in FY15 on account of infusion of capital and internal accruals. Total debt of the Company increased from Rs 7.69 Crores in FY14 to Rs 9.61 Crores, as per provisional numbers of FY15. Gearing of the Company is recorded at 3.58 times in FY15, as compared to 10 times in FY14, on account of improved networth. Interest coverage ratio and DSCR was recorded at 1.88 times and 1.93 times, respectively, in FY15. Current ratio is recorded at 1.06 times in FY15. ROCE was recorded at 13.30% in FY15. Operating profit margin of the Company primarily remained consistent at 4.13% in FY15.

Outlook

Going forward, the ability of the Company to effectively manage its working capital requirements, maintain low level of Debt / Equity ratio, expand its reach and consistent growth in revenues & profit margins remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Annex I: Balance sheet

₹ Crores

Crores	31-Mar-2012	31-Mar-2013	31-Mar-2014
Liabilities			
EQUITY AND RESERVES	0.44	0.57	0.78
Share capital	0.20	0.20	0.20
Reserves and Surplus	0.24	0.37	0.58
Non-current liabilities	1.82	1.70	2.12
Long-Term Borrowings	1.74	1.56	1.99
Deferred tax Liabilities (Net)	0.08	0.14	0.12
Current liabilities	7.62	8.67	14.85
Short-Term Borrowings	3.17	4.63	5.69
Current Portion Of Long Term Debt	0.17	0.14	0.01
Trade Payables	4.07	3.29	8.61
Other Current Liabilities	0.09	0.48	0.24
Short-Term Provisions	0.12	0.14	0.30
Total Liabilities	9.88	10.94	17.74
ASSETS			
Non-current assets	2.09	2.11	1.96
Net Fixed assets	2.03	1.94	1.80
Long Term Loans and Advances	0.06	0.15	0.15
Miscellaneous Expenditure To the Extent Not Written off(Non Current)	0.00	0.01	0.01
Current assets	7.79	8.83	15.78
Inventories	3.72	4.00	5.95
Trade Receivables > Six Months	0.23	0.33	0.84
Trade Receivables < Six Months	3.26	4.41	8.25
Cash and Cash Equivalents	0.01	0.03	0.70
Short-Term Loans and Advances	0.57	0.06	0.02
Other Current Assets	0.00	0.01	0.01
Total Assets	9.88	10.94	17.74

Annex II: Income Statement

^ Crores

Crores	31-Mar-2012	31-Mar-2013	31-Mar-2014
Result Type	Audited	Audited	Audited
Gross Sales	26.09	26.00	27.51
Net Sales	26.09	26.00	27.51
Other Operating Income	0.00	0.00	0.52
Total Operating Income	26.09	26.00	28.04
Raw Material Consumed	24.37	22.65	26.07
Change In Inventory (Increase)/Decrease	-0.11	0.46	-0.81
Power and Fuel Expenses	0.20	0.26	0.22
Employee Cost	0.46	0.69	0.44
Manufacturing Expenses	0.07	0.08	0.07
Cost of Goods Sold	24.98	24.14	25.99
Selling, General and other Administrative expenses	0.24	0.55	0.70
Miscellaneous Expenditure written Off	0.00	0.00	0.01
Operating Expenses	25.23	24.69	26.69
OPBDIT	0.86	1.31	1.35
Depreciation/Amortization/Impairment	0.24	0.24	0.22
OPBIT	0.62	1.07	1.12
Interest and Finance Charges	0.47	0.76	0.82
OPBT	0.15	0.31	0.30
Non Operating Income(Expenses)	0.02	0.00	0.02
PBT	0.18	0.31	0.32
Provision for Taxes	0.08	0.18	0.12
PAT	0.10	0.13	0.20

Annex III: Ratios

Ratios (as per BWR calculations)		FY12 (A)	FY13 (A)	FY14 (A)
Total Debt/ Tangible Networkth	Times	11.48	11.32	10.00
Interest Service Coverage Ratio	Times	1.84	1.71	1.65
Debt Service Coverage Ratio	Times	1.73	1.20	1.31
Tangible Net Worth	Crores	0.44	0.56	0.77
Operating Profit Margin	%	3.30	5.04	4.81
Net Profit Margin	%	0.39	0.49	0.73
ROCE	%	11.09	17.03	14.40
Net Cash Accruals/Total Debt	Times	0.07	0.07	0.05
Current Ratio	Times	1.02	1.02	1.06

(as per BWR calculations)