

Rating Report

Brickwork Ratings assigns the rating of “BWR B/A4” for Bank Loan facilities of Rs. 7.35 Cr to Alokik Steels Pvt. Ltd. (ASPL or ‘the company’)

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of Rs. 7.35 Crores of Alokik Steels Pvt. Ltd. (“ASPL” or “the company”):

Facilities	Limits (Rs. Cr)	Tenure	Rating
Fund Based		Long Term	BWR B (Pronounced BWR B) Outlook: Stable
Cash Credit	3.00		
Term Loan	0.03		
WCTL	1.07		
Non Fund Based		Short Term	BWR A4 (Pronounced BWR A Four)
ILC/FLC	3.25		
Total	7.35	(INR Seven Crores Thirty Five Lakhs Only)	

BWR has essentially relied upon the audited financial results of the company for FY15, provisional financials upto 30th Sept-15, projected financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The rating has factored, *inter alia*, long standing experience of promoters and locational advantage of the manufacturing unit. However, the ratings are constrained by the general slump in the steel industry due to imports and capacity issues, modest scale of operations of the company and stiff competition from unorganized as well as organized players.

Background:

Alokik Steels Pvt. Ltd., a private limited company was established on 16th Apr-08. The company is engaged in manufacturing of M S Ingots.

It procures raw material (scrap iron, steel) for manufacturing from local market, Bhavnagar (scrap from ship breaking yards etc.), Chattisgarh and sometimes also from Dubai, UAE, South Africa and it supplies the finished product in Rajasthan and Punjab. Customer base of the company primarily consists of established companies engaged in manufacturing rolled products, angles, channels, etc.

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

Ownership & Management:

Mr. Krishan K Jindal and Mr. Anshul Jindal are directors of the company and are involved in day to day operations of the company. Mr. Krishan K Jindal, hold 80.67% of the equity of the company. He has more than 28 years of experience in the industry.

Financial Performance:

The company has recorded a turnover of Rs. 50.50 Cr with PAT of Rs. 0.06 Cr in FY15. Tangible net worth stood at Rs. 3.03 Cr. ISCR and DSCR stood at 1.45 times and 0.82 times respectively in FY15.

For the half-year ended 30th September 2015, the company has informed of having achieved a turnover of Rs. 18.32 Cr.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Ability of the company to achieve the targeted revenue, to achieve profitability which is adequate to take care of debt servicing and to efficiently manage its working capital would be 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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Alokik Steels Pvt. Ltd.- BLR – Rs. 7.35 Crs
Annexure I: Profit & Loss

Profit and Loss Account			
Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	52.42	51.49	50.50
Excise Duty/Sales Tax	8.09	7.79	7.65
Net Sales	44.33	43.70	42.85
Other Operating Income	0.00	0.01	0.00
Total Operating Income	44.33	43.72	42.85
Raw Material Consumed	34.46	33.93	32.36
Change In Inventory (Increase)/Decrease	0.03	0.23	0.04
Traded Goods Purchased	0.07	0.00	0.08
Power and Fuel Expenses	7.97	8.00	8.75
Employee Cost	0.29	0.34	0.41
Manufacturing Expenses	0.22	0.03	0.01
Cost of Goods Sold	43.04	42.53	41.64
Selling, General and other Administrative expenses	0.19	0.22	0.23
Operating Expenses	43.22	42.75	41.87
OPBDIT	1.11	0.97	0.98
Depreciation/Amortization/Impairment	0.25	0.27	0.32
OPBIT	0.86	0.70	0.66
Interest and Finance Charges	0.73	0.73	0.68
OPBT	0.12	-0.03	-0.02
Non Operating Income(Expenses)	0.17	0.10	0.13
PBT	0.29	0.07	0.12
Extraordinary/Prior Period - Income(Expense)	-0.03	0.03	-0.01
Provision for Taxes	0.10	0.06	0.05
PAT	0.16	0.04	0.06

Alokik Steels Pvt. Ltd.- BLR – Rs. 7.35 Crs
Annexure II: Balance Sheet

Balance Sheet			
Crores	FY13	FY14	FY15
Liabilities			
EQUITY AND RESERVES	2.94	2.98	3.03
Share capital	0.15	0.15	0.15
Reserves and Surplus	2.79	2.83	2.88
Non-current liabilities	1.60	2.65	1.79
Long-Term Borrowings	1.60	2.65	1.76
Deferred tax Liabilities (Net)	0.00	0.00	0.03
Current liabilities	7.11	5.67	6.69
Short-Term Borrowings	3.98	2.94	2.97
Current Portion Of Long Term Debt	0.55	0.62	0.55
Trade Payables	1.71	1.78	2.88
Other Current Liabilities	0.83	0.30	0.27
Short-Term Provisions	0.04	0.02	0.02
Total Liabilities	11.65	11.30	11.51
ASSETS			
Non-current assets	5.62	6.03	5.68
Net Fixed assets	4.83	5.05	4.83
Deferred Tax Assets (Net)	0.08	0.02	0.00
Long Term Loans and Advances	0.71	0.96	0.85
Current assets	6.04	5.27	5.83
Inventories	1.22	0.95	1.55
Trade Receivables > Six Months	0.00	0.02	0.12
Trade Receivables < Six Months	3.87	2.73	3.33
Cash and Cash Equivalents	0.01	1.14	0.36
Short-Term Loans and Advances	0.11	0.38	0.39
Other Current Assets	0.82	0.06	0.09
Total Assets	11.65	11.30	11.51

Alokik Steels Pvt. Ltd.- BLR – Rs. 7.35 Crs
Annexure III: Key Financial Ratios

Key Financial Ratios				
Particulars		FY13	FY14	FY15
Total Debt	Crores	6.13	6.21	5.28
Total Debt (Analyzed)	Crores	4.75	5.21	4.60
Tangible Net Worth	Crores	2.94	2.98	3.03
Tangible Net Worth (Analyzed)	Crores	4.32	3.98	3.71
Capital Employed	Crores	8.99	9.17	8.33
Total Debt/TNW	Times	2.09	2.08	1.74
Total Debt/TNW(Analyzed)	Times	1.10	1.31	1.24
Long Term Debt/TNW	Times	0.54	0.89	0.58
TOL/TNW	Times	2.49	2.45	2.58
ISCR	Times	1.51	1.32	1.45
DSCR	Times	1.55	0.81	0.82
DSCR(Analyzed)	Times	1.55	0.81	0.82
Net Cash Accruals/Total Debt	Times	0.08	0.06	0.08
Net Cash Accruals/Long Term Debt	Times	0.32	0.14	0.24
Net Cash Accruals/Long Term Debt(Analyzed)	Times	2.35	0.22	0.40
Net Profit Margin	%	0.36	0.10	0.14
Operating Profit Margin	%	2.50	2.21	2.30
ROCE	%	9.55	7.69	7.56
Current Ratio	Times	0.85	0.93	0.87
Current Ratio(Analyzed)	Times	0.85	0.93	0.85
Days Receivables	Days	32	28	26
Days Inventory	Days	10	9	11
Days Payable	Days	17	18	26
Conversion Cycle	Days	26	19	12