

Rating Report

Brickwork Ratings (BWR) assigns 'BWR B-' for the Bank Loan Facilities aggregating ₹ 8 Cr of Ambivijay Steel Suppliers Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of Ambivijay Steel Suppliers Pvt. Ltd.

Facility	Existing Limit (₹ Cr)	Tenure	Rating
Fund Based (FB)		Long Term	BWR B- (Pronounced BWR B Minus) Outlook: Stable
Cash Credit	8.00		
Total	8.00	(INR Eight Crores only)	

BWR has principally relied upon the audited financial results up to FY13, provisional financials of FY14, projected financials, publicly available information and information/clarification provided by the company's management.

The rating has inter-alia factored the promoter's extensive experience in iron and steel trading business and diversified customer base. The rating is however constrained by highly fragmented structure of the steel trading industry leading to intense competition among the players, relatively moderate scale of operation, working capital intensive nature of operation, weak financial risk profile, cyclical nature of steel industry and weak profitability indicators.

Company Background:

Ambivijay Steel Suppliers Pvt Ltd (ASSPL), incorporated in the year 2003, is promoted by Mr. Somabhai S Patel. ASSPL is engaged in the trading of Hot Rolled, Cold Rolled Coils/Sheet and Galvanized Profile Sheets. ASSPL's area of operation is restricted to Gujarat only and is selling its product through dealers. The Group also runs other entities such as Ambica Steel Syndicate which is also engaged in the trading of iron and steel products.

Management:

Mr. Somabhai S. Patel is the director of the company and is actively involved in handling the day to day activities of ASSPL. He is having more than four decades of experience in trading business. Mr. Brijesh S. Patel and Ms. Chandrikaben S Patel are the other two directors of ASSPL.

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

Financial Performance

The ASSPL's revenue improved substantially during FY13 to Rs 84.27 Cr from Rs 55.31 Cr on account of the additional working capital facility sanctioned by the bank. However, as per the provisional financials of FY14, overall sales declined marginally to Rs 83.46 Cr. The operating profit of the company stood at Rs 0.48 Cr during FY13 as against the operating profit of Rs 0.44 Cr during FY12. Operating profit as per the provisional financials of FY14 stood at Rs 1.08 Cr.

Overall profit after tax (PAT) stood at Rs 0.07 Cr during FY14 (provisional) as against the PAT of Rs 0.01 Cr during FY13 and Rs 0.03 Cr during FY12. The company has weak profitability indicators as evident from the lower PAT margins which stood at 0.08% in FY14 (provisional), 0.01% in FY13 and 0.05% in FY12. However, weak profitability indicator is inherent to the trading nature of the business where margins are lower.

Weak Financial Risk Profile

The overall gearing of the company is high owing to the lower tangible networth (TNW). Gearing ratio stood at 8.07 during FY13 as against the gearing ratio of 6.57 during FY12. However, considering the unsecured loans from the promoters/directors as quasi equity, adjusted overall gearing of the company stood at 3.62 during FY13. Debt protection metrics of ASSPL is not at comfortable levels. Interest Service Coverage Ratio (ISCR) of the company is consistently below 1.00 in the recent past which is indicative of the company's inability to generate enough cash to cover its fixed costs. However, as per the provisional financials of FY14, ISCR has improved 1.08 on account of lower operating costs incurred by the company.

Detail financials are presented in the annexures

Rating Outlook: ASSPL has experienced promoters and diverse customer base. However, the company has weak profitability indicators, moderate scale of operation and weak coverage indicators. Going forward, the ability of the company to improve its profitability margin, revenue and capital structure are the key rating sensitivities.

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

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.

Annexures: Key Financials

Annex I: Income Statement of ASSPL

₹ Crores	FY11	FY12	FY13
Result Type	Audited	Audited	Audited
Gross Sales	39.84	55.03	84.14
Traded Goods Sales	0.00	0.00	0.00
Excise Duty/Sales Tax	0.00	0.00	0.00
Net Sales	39.84	55.03	84.14
Other Operating Income	0.26	0.28	0.13
Total Operating Income	40.10	55.31	84.27
Operating Expenses	39.74	54.87	83.79
OPBDIT	0.36	0.44	0.48
Depreciation/Amortization/Impairment	0.03	0.02	0.02
OPBIT	0.34	0.42	0.46
Interest and Finance Charges	0.53	0.69	0.82
OPBT	-0.19	-0.27	-0.35
Non-Operating Income(Expenses)	0.23	0.33	0.36
PBT	0.04	0.05	0.01
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.00
Provision for Taxes	0.01	0.02	0.00
PAT(Continuing Operations)	0.02	0.03	0.01
PAT(Discontinuing Operations)	0.00	0.00	0.00
PAT	0.02	0.03	0.01

Annexures: Key financials

Annex II: Balance Sheet of ASSPL

₹ Crores	FY11	FY12	FY13
Liabilities	Audited	Audited	Audited
EQUITY AND RESERVES	1.16	1.19	1.19
Share capital	1.00	1.00	1.00
Preference Share Capital/Quasi Equity	0.00	0.00	0.00
Share Application money Pending allotment	0.00	0.00	0.00
Reserves and Surplus	0.16	0.19	0.19
Revaluation Reserve	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00
Non-current liabilities	0.00	0.00	0.00
Long-Term Borrowings	0.00	0.00	0.00
Deferred tax Liabilities (Net)	0.00	0.00	0.00
Current liabilities	5.56	10.05	13.66
Short-Term Borrowings	5.13	7.77	9.62
Current Portion Of Long Term Debt	0.04	0.02	0.00
Trade Payables	0.30	2.16	3.94
Other Current Liabilities	0.00	0.00	0.00
Short-Term Provisions	0.09	0.10	0.10
Total Liabilities	6.72	11.23	14.86
ASSETS			
Non-current assets	0.08	0.07	0.06
Net Fixed assets	0.08	0.06	0.05
Capital Work-In-Progress	0.00	0.00	0.00
Net Intangible assets	0.00	0.00	0.00
Net Fixed Assets Given Out On Operating Lease	0.00	0.00	0.00
Non-Current Investments	0.00	0.00	0.00
Deferred Tax Assets (Net)	0.00	0.00	0.00
Long Term Loans and Advances	0.00	0.00	0.00
Long Term Trade Receivables	0.00	0.00	0.00
Other Non-Current Assets	0.00	0.00	0.00
Current assets	6.63	11.16	14.80
Current Investments	0.00	0.00	0.00
Inventories	1.18	3.57	3.60
Trade Receivables > Six Months	0.00	0.00	0.00
Trade Receivables < Six Months	1.87	3.43	5.87
Cash and Cash Equivalents	3.45	3.82	5.13
Short-Term Loans and Advances	0.13	0.34	0.19
Total Assets	6.72	11.23	14.86

Annexures: Key Financials

Annex III: Key Financial Ratios of ASSPL

Particulars	FY11 Audited	FY12 Audited	FY13 Audited
Debt - Equity Ratio (Times)	4.47	6.57	8.07
Adj. Debt - Equity Ratio (Times)*	2.29	3.09	3.62
Interest Coverage Ratio (Times)	0.69	0.64	0.59
Debt Service Coverage Ratio(Times)	1.09	1.02	1.00
Tangible Net Worth (₹ Crores)	1.16	1.19	1.19
Profitability Margin (%)	0.05%	0.05%	0.01%
ROCE (%)	5.33%	5.45%	4.68%
Current Ratio (Times)	1.19	1.11	1.08

* Adj. Debt to Equity ratio is calculated considering the 'unsecured loan from promoters/directors' as quasi equity