Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Credit Facilities aggregating ₹ 6.10 Cr of Ashish Steel

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for Long Term Bank Credit Facilities of ₹ 4.10 Cr and the Short Term Bank Credit Facilities of ₹ 2.00 Cr of Ashish Steel *(AS or the Company).*

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based (FB) Cash Credit	4.10	Long Term	**BWR B+** (BWR B plus) **(Outlook: Stable)**
Total FB	**4.10**		
Non Fund Based (NFB) Imp/Inland LC	2.00	Short Term	**BWR A4** (BWR A Four)
Total NFB	**2.00**		
Total FB + NFB Limits	**6.10 (INR Six Crores and Ten Lakhs only)**		

BWR has principally relied upon the audited financial results up to FY13 and financial projections, publicly available information and information/clarification provided by the Company management.

The rating inter alia, factors the experience of the promoters, long standing relations with reputed customer base, strong revenue growth in FY13, satisfactory operating margins and promoter's ability to infuse equity as per business requirement.

The rating is however constrained by company's relatively small scale of operations with revenue growth linked to the timeliness of project execution by the large clients, profitability highly susceptible to volatility in input cost and limited ability to pass on increase in cost to customers, high competitive nature of industry with many unorganized players and limited scope for diversification.

Background

Ashish Steel, established in 1996, is a supplier of various types of rails, crane rails, rail clamps and railway accessories. The firm was established as a proprietary firm by Mr. Ashish Shah. The registered office of the firm is based in Lower Parel, Mumbai. The firm caters to various companies who are connected with different industries such as EOT cranes and material handling equipments, conveyor systems, Steel plant equipment manufacturers, cement factories for wagon loading etc.

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

The firm provides 14-15 different sizes of rails (narrow gauge, meter gauge, broad gauge and special crane rails) these include both brand new rails and also used/second hand rails. The firm also stock imported rails which are as per German, American and Chinese standards. Apart from rails, the firm also supplies accessories like Fish plates & Fish Bolt Nuts which are used to join two rail pieces and Rail Clamps. The top 10 customers of the firm account for ~38.64% of the total sales in FY13. Major customers are associated with the firm since long and provide repeat orders, on account of its successful track record of timely execution

Financial Performance

Revenues of the firm increased by 15.4% to ₹ 33.80Cr in FY13 compared to ₹ 29.29Cr in FY12. In FY13, operating profit levels have increased to ₹ 3.37Cr from ₹ 2.23Cr in FY12, whereas margins increased to 9.97% from 7.63% in FY12 on account of better operating efficiency. The net profit level has increased to ₹ 2.78Cr with margins of 8.21% in FY13 from ₹ 1.80Cr with margins of 6.15% in FY12.

The net-worth of the Company stood at ₹ 5.55 Cr as on FY13 as compared to ₹ 5.43 Cr as on FY12. The total debt levels of the Company as on FY13 was ₹3.21 Cr as compared to ₹ 4.45 Cr as on FY12.

Comfortable coverage ratios along with low gearing reflects the ability of the company to pay its dues in timely manner and provides further room for additional debt for expansion. Interest coverage ratio and DSCR has shown improving trend over past years, mainly driven by better operating performance. NCA/Total debt has increased over past years on account of better revenues.

Rating Outlook

The firm has experienced promoters and strong revenue growth coupled with satisfactory operating margins. However, it has small scale of operations, single line of management and limited scope of diversification. Going forward, the ability of the firm to improve capital structure based on equity infusion, effective management of its working capital requirements and consistent growth in revenues & profit margins are the key rating sensitivities.

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Annexure I – Abridged Income Statement

Particulars (₹ Cr)	FY11 (A)	FY12 (A)	FY13 (A)
Operating Income	**19.02**	**29.29**	**33.80**
Operating Expenses	**17.52**	**27.06**	**30.43**
Operating Profit Before Depreciation, Interest and Taxes	**1.51**	**2.23**	**3.37**
Depreciation/Amortization/Impairment	0.01	0.01	0.01
Operating Profit Before Interest and Tax	**1.49**	**2.22**	**3.36**
Interest and Finance Charges	0.36	0.51	0.63
Operating Profit Before Tax	**1.14**	**1.71**	**2.73**
Non-Operating Income(Expenses)	0.02	0.09	0.04
Profit Before Tax	**1.16**	**1.80**	**2.78**
Provision for Taxes	-	-	-
Adjusted Profit After Tax	**1.16**	**1.80**	**2.78**

Annexure II – Abridged Balance Sheet

Particulars (₹ Cr)	FY11 (A)	FY12 (A)	FY13 (A)
Tangible Net worth	**4.05**	**5.43**	**5.55**
Long-Term Borrowings	0.65	1.40	0.40
Current liabilities	**5.66**	**4.40**	**4.17**
Total Funds	**10.36**	**11.23**	**10.12**
Net Fixed Asset	0.82	0.81	0.81
Other Non-Current Assets	-	-	0.27
Current Assets	**9.54**	**10.42**	**9.04**
Total Assets	**10.36**	**11.23**	**10.12**

Annexure III – Key Ratios

Ratios (as per BWR calculations)	FY11 (A)	FY12 (A)	FY13 (A)
OPBDIT Margins	7.92%	7.63%	9.97%
Net Profit Margins	6.09%	6.15%	8.21%
ROCE	21.50%	24.75%	36.02%
Interest Service Coverage Ratio	4.23	4.35	5.38
Net Cash Accruals / Total Debt (x)	0.29	0.41	0.87
Total Debt / Tangible Networth (x)	0.99	0.82	0.58
Current Ratio (x)	1.69	2.37	2.17