Sharvaya Metals Private Limited

April 28, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.92	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Total Facilities	12.92 (Rs. Twelve Crore and Ninety-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 30, 2020 placed the rating of Sharvaya Metals Private Limited (SMPL) under the 'issuer non-cooperating' category as SMPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SMPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and e-mails dated March 10, 2021, March 17, 2021, April 15, 2021 and April 22, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating has been revised on account of no due diligence conducted and non-availability of complete information due to non-cooperation by SMPL with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the revision also factors in decline in total operating income, cash accruals, profit margins, debt coverage indicators and operating cycle in FY20.

Detailed description of the key rating drivers

At the time of last rating on January 31, 2020, the following were the rating strengths and weaknesses(updated for the information available with Ministry of Corporate Affairs)

Key Rating Weaknesses

Small scale of operations and moderate profitability margins: The total operating income(TOI) of the company declined by 11.54% to Rs.43.61 crore for FY20 as against Rs.49.30 crore for FY19. Further, the tangible net worth of the company remained modest at Rs. 4.26 crore as on March 31, 2020. The small scale of operations coupled with modest net worth base restricts financial flexibility of the firm during stress and industry downturn. Furthermore, the PBILDT margin of SMPL declined marginally by 24Bps to 4.41% for FY20 as against 4.65% for FY19. Also, the PAT margin declined and stood at 0.51% for FY20 as against 1.15% for FY19.

Leveraged capital structure and weak debt coverage indicators: Capital structure of the entity remained leveraged on account of higher debt level due to high dependence on external borrowings for working capital requirement as against modest net worth base. However overall gearing of the company improved to 3.61x as on March 31, 2020 from 3.96x as on March 31, 2019 on account of increase in net worth base due to accretion of profit. With decline in profitability, the debt coverage indicators moderated as indicated by PBILDT interest coverage ratio and total debt to GCA at 1.35x and 28.64x as on March 31, 2020 as against 1.57x and 18.14x as on March 31, 2019.

Susceptibility of profit margins to volatile material prices: The material is the major cost driver (constituting about 97% of total cost of sales in FY20) and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of the aluminum scrap being major cost components amongst all materials are volatile in nature. Accordingly, the profitability margins of the entity are susceptible to fluctuation in material prices. However, SMPL pass on the increase in prices of raw material to the clients

Presence in competitive and fragmented industry: SMPL operates in a highly competitive and fragmented aluminum product industry. The entity witnesses intense competition from both the other organized and unorganized players

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; Based on best available information*

domestically and globally. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry.
Stretched liquidity position: The liquidity position continues to remain stretched with high gross current asset of 148 days as at the end of FY20 as against 136 days as at the end of FY19.

Key Rating Strengths
Experienced promoters in the industry and association with reputed utensil brands: SMPL is managed by Mr. Shreyas Katariya and Ms. Seema Bhalgat who have more than a decade of experience in the business. Directors are further assisted by second line of management and experienced force of labourer who undertake day to day activities. Company has established relationship with various suppliers and customers in the short span of time which is enabling continuous and repeated orders from client. SMPL's products are sold to authorized raw material suppliers of well-known utensil brands such as Hawkins, Prestige and Nirlep.
Established group presence in aluminum extrusion industry: Superfine group has around two decades of experience in the aluminium extrusion industry and it is managed by Katariya Family. Superfine Group backed by an experienced management has been able to generate healthy relations with reputed clientele comprising of Bhabha Atomic Research Centre (BARC), Bharat Heavy Electrical Limited (BHEL), BOSCH Automotive Electronic India Limited among others.

Analytical approach: Standalone
Applicable Criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies
Liquidity Analysis of Non-Financial Sector Entities

About the Company
Sharvaya Metals Private Limited (SMPL) is a part of Superfine group which is engaged in manufacturing of aluminum extrusion products since last two decades. SMPL was incorporated as a private limited company in the year 2014 by Mr. Shreyansh Katariya and Ms. Seema Bhalgat who are having more than a decade of experience in business. Company is engaged in manufacturing of aluminum circles and billets of different measurements and sizes as per the requirement of clients

Brief Financials (Rs. crore)	FY19	FY20
	12M, Audited	12M, Audited
Total operating income	49.30	43.61
PBILDT	2.29	1.92
PAT	0.57	0.22
Overall gearing (times)	3.96	3.61
Interest coverage (times)	1.57	1.35

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable.
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	1.15	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	2.77	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	9.00	CARE B; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	1.15	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Jan-20) 2)CARE BB-; Stable (03-Sep-19)	1)CARE BB; Stable (14-Mar-19)
2.	Fund-based - LT-Term Loan	LT	2.77	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Jan-20) 2)CARE BB-; Stable (03-Sep-19)	1)CARE BB; Stable (14-Mar-19)
3.	Fund-based - LT-Cash Credit	LT	9.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Jan-20) 2)CARE BB-; Stable (03-Sep-19)	1)CARE BB; Stable (14-Mar-19)

**Issuer did not cooperate; Based on best available information*

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Group Head Name: Ms. Prateechee Misra
Group Head Contact no.: 020 - 40009026
Group Head Email ID: prateechee.misra@careratings.com

Business Development Contact
Name: Mr. Aakash Jain
Contact no. : 020 - 40009090
Email ID: aakash.jain@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.