Sharvaya Metals Private Limited

January 31, 2020

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	12.92	**CARE B+; Stable, ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable, ISSUER NOT COOPERATING*)**	Revised from CARE BB-;Stable (Double B Minus;Outlook:Stable) Issuer not cooperating; based on best available information
Total	**12.92 (Rs. Twelve Crore and Ninty two Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sharvaya Metals Private Limited(SMPL) to monitor the rating vide e-mail communications dated September 23, 2019, November 13, 2019, December 24,2019, January 09,2020, and numerous phone calls. However, despite our repeated requests the firm has not provided the requisite information for monitoring the rating. 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. The rating on SMPL bank facilities will now be **CARE B+; Stable; ISSUER NOT COOPERATING***

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

The revision in the rating takes into account non-availability of information due to non-cooperation by SMPL with CARE'S efforts to undertake a review of the rating outstanding. Further the rating remain constrained on account of stress in liquidity marked by high utilization of working capital limits during last three months ended in December 31, 2019, nascent stage of operations along with moderate profit margins, leveraged capital structure and weak debt coverage indicators, working capital intensive nature of operations, susceptibility of profit margins to volatile material prices and presence in competitive and fragmented industry. The rating however, continues to derive strength from experienced promoters in the industry and association with reputed utensil brands and established group presence in aluminum extrusion industry.

Detailed description of the key rating drivers:

At the time of last rating on September 03,2019 the following were the rating strengths and weaknesses:

Detailed description of the key rating drivers

Key Rating Weakness

Stretched liquidity position-

The liquidity position continues to remain stretched with highly utilized bank limits during last three months ended December 31,2019.Further, the current ratio stood modest at 1.18x as on March 31, 2018 and free cash and bank balance of Rs. 0.01 crore as on March 31, 2018.

Nascent stage of operations along with moderate profit margins-

Company being at nascent stage with FY18 being the first year of operation, its scale of operations remained modest with total operating income (TOI) of the company of Rs. 30.51 crore with net profit of Rs. 0.56 crore in FY18. Further company has recorded total operating income of Rs. 36.15 crore during 10MFY19. Further the tangible net worth of the company remained small at Rs. 6.40 crore as on March 31, 2018 due to low capitalization with only one year of operational performance and moderate profitability. Further the PBILDT margin of SMPL remained moderate at 6.71% and PAT margin stood at 1.82% in FY18 due to higher interest cost .

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 asthe working capital requirement and low net worth base. However overall gearing of the company improved further to 2.09x as on March 31, 2018 from 4.76x as on March 31, 2017 on account of increase in net worth base due to accretion of profit and subordination of unsecured loan of Rs. 3.00 crore in FY18 as per the terms of bank sanction letter. The debt coverage

[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*

indicators also remained weak with interest coverage ratio in the range of 1.64x to 1.62x and total debt to gross cash accruals at 16.50x in FY18 due to high reliance on working capital borrowings andlow gross cash accruals.

Susceptibility of profit margins to volatile material prices-

The material is the major cost driver (constituting about 97% of total cost of sales in FY18) 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 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.

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 for Manufacturing Companies

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 companyin 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.

Financials:

Brief Financials (Rs. crore)	FY18
	Audited
Total operating income	30.51
PBILDT	2.05
PAT	0.56
Overall gearing (times)	2.09
Interest coverage (times)	1.64

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	-	-	August 2021	1.15	CARE B+; Stable; ISSUER NOT COOPERATING* Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	August 2021	2.77	CARE B+; Stable; ISSUER NOT COOPERATING* Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	9.00	CARE B+; Stable; ISSUER NOT COOPERATING* ; Revised from CARE BB-; Stable on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	1.15	CARE B+; Stable; ISSUER NOT COOPERATING* Revised from CARE BB-; Stable on the basis of best available information	1)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* Revised from CARE BB-; Stable on the basis of best available information	1)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* Revised from CARE BB-; Stable on the basis of best available information	1)CARE BB-; Stable (03-Sep-19)	1)CARE BB; Stable (14-Mar-19)	-	-

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.*

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