



Hooghly Alloy & Steels Co. Private Limited

Instrument	Amount	Rating Action
Fund Based Limits (Cash Credit)	Enhanced from Rs. 22.50 crore to Rs. 30.00 crore	[ICRA]BB (Stable) downgraded/ assigned
Fund Based Limits (Working Capital Demand Loan)^	(Reduced from Rs. 15.00 to Rs. 5.00 crore)	[ICRA]A4 downgraded
Fund Based Limits (PCL/ PCFC/ PSL/ EPC/ FUBD/ FBD/ FBP/ PSCFC)^	(Enhanced from Rs. 6.00 crore to Rs. 16.00 crore)	[ICRA]A4 downgraded/ assigned
Non Fund Based Limits (Letter of Credit- Inland/ Foreign)^	(Rs. 4.00 crore)	[ICRA]A4 downgraded
Non Fund Based Limits (Loan Equivalent Factor)^	(Revised from Rs. 1.00 crore to Nil)	-

^ Sub-limits of the Cash Credit facilities

ICRA has revised downwards the long term rating assigned to the Rs. 30.00 crore* (enhanced from Rs. 22.50 crore earlier) cash credit facilities of Hooghly Alloy & Steels Co. Private Limited (HASCO)[†] from [ICRA]BB+ (pronounced ICRA double B plus) to [ICRA]BB (pronounced ICRA double B). The outlook on the long term rating is stable. ICRA has also revised downwards the short term rating assigned to the Rs. 25.00 crore (reduced from Rs. 26.00 crore earlier) fund based and non-fund based bank facilities (sub-limits of the cash credit facilities) of HASCO from [ICRA]A4+ (pronounced ICRA A four plus) to [ICRA]A4 (pronounced ICRA A four).

The downward revision in the ratings take into account tight liquidity position of the company on the back of increase in the working capital requirement of the business due to rise in the receivables position along with inventory level. The ratings also factor in the weak financial profile of the company characterized by a leveraged capital structure and subdued level of debt coverage indicators. The ratings are also constrained by the ongoing weakness in the steel industry, leading to sub-optimal level of capacity utilization of the units, which has also kept the top-line of the company almost stagnant during the last couple of years. The profitability of the company has remained low and range bounded over the past few years. The ratings also factor in the cyclical nature inherent in the steel industry, which are likely to keep the margins and cash flows of all the players in the steel industry, including HASCO, variable as well as under pressure.

The ratings, however, derive comfort from the longstanding experience of the promoters in the iron and steel business, and the strategic location of the manufacturing unit, in regard to sourcing of raw materials as well as dispatch of finished goods. The ratings also consider the company's strong customer base as reflected by its accreditation as an approved vendor for a number of public as well as private sector undertakings. Going forward, the company's ability to scale up its operations, while improving its capital structure and managing the liquidity efficiently would be the key rating sensitivities.

Company Profile

Incorporated in 2004, HASCO is engaged in the manufacturing of alloy steel/ mild steel ingot and structural namely, angle, channel, joist, round, bar, flat and roll. The manufacturing facilities of the company are located at Serampore, Hooghly in West Bengal. The company started its operations with ingot manufacturing facility with an annual production capacity of 40,000 metric tonne (MT) in August 2006. The company set up its rolling mill with an installed capacity of 60,000 metric tonne per annum in September 2007. Besides, the company is also engaged in the trading of TMT bar in the domestic market.

* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Recent Results

The company reported a net profit of Rs. 0.96 crore (provisional) on an operating income of Rs. 166.84 crore (provisional) during 2014-15; as compared to a net profit of Rs. 0.95 crore on an operating income of Rs. 170.63 crore in 2013-14.

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