



Press Release

Akriti Sales Corporation (ASC)

December 15, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Cash Credit	31.75	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Long Term Fund Based Facility – Channel Finance	6.50	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
3.	Short Term Non Fund Based Facility – Bank Guarantee	1.00	IVR A4+ (IVR A Four Plus)
	Total	39.25	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Akriti Sales Corporation derives comfort from their experienced proprietor, reputed client base, diversified product offering along with y-o-y growth in revenue and efficient working capital management. However, volatility in the steel prices along with high competition and cyclicity in the steel industry, moderate capital structure are the rating constraints.

Key Rating Sensitivities

Upward Factors

- Substantial improvement in revenue and/or profitability leading to sustained improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced proprietor:

Mr. Kamal Drolia is the founder and proprietor of M/s Akriti Sales Corporation (ASC). He has over three decades of experience in the steel and cement industry which has benefited ASC in establishing long term relationship with its suppliers and customers ensuring repeat order base. The proprietor is supported with the team of experienced professionals which look after the overall operations and day to day management.

Reputed Clientele:

ASC client base includes all renowned corporates players viz. SKB Builders India Limited, Gujarat Alkalies and Chemicals Limited, PI Industries Limited, Cadila Healthcare Limited, SRF Limited, etc. SKB Builders account for 12% of the total sales made in FY20. However, over the years it has delivered products to companies such as Glenmark, Hero, Sun Pharmaceuticals Industries Limited, Essar, Hindustan Unilever Limited (HUL), Prestige, Polycab Wires and Cables, Godrej, Pidilite, Larson & Toubro, Lupin, Welspun, Zydus etc.

Diversified product offering:

ASC's trading portfolio includes cement, TMT bars, MS Angle, MS Beams, MS Channels, MS Plates, Chequered Plates, MS Flat, MS/GI Sheets, MS Pipes, etc. The wide product range offered by the concern reduces dependence on a single product.

Y-o-Y growth in revenue over the years with range bound profitability:

ASC recorded a sustained growth in the total operating income at a CAGR of ~20% during FY17-FY20 (P) with a y-o-y growth of ~3% in FY20 (P). The growth is driven by higher margins leading to increase in volume sale and increase in sales realisations. However, despite increase in scale of operations the EBIDTA margin of the concern have remained range bound between 2.08%-3.78% during the last four years ended FY20 (P).



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Efficient working capital management:

The operating cycle of ASC is comfortable, with in the range of 50-70 days during the last three years, and in FY20 (P) it stands with 55 days. The inventory holding period has slightly declined from 22 days in FY19 to 17 days in FY20 (P).

Key Rating Weaknesses

End user industry cyclicality:

Demand for steel is derived from sectors such as real estate, construction, and infrastructure, which are linked to economic cycle any adverse movement may hamper the demand for steel.

Exposure to price fluctuation along with intense competition:

ASC trading portfolio includes various re-rolling products, the prices of which have remained volatile in the past given the cyclicality inherent in steel industry. However, with the promoter's experience mitigate the risk to a great extent. Low entry barriers resulting intense competition is also inherent to the trading nature of business.

Moderate capital structure:

The capital structure and debt protection metrics of ASC remained moderate backed by Tangible Net worth of Rs 8.33 Crore as on March 31, 2020 (P). The overall gearing stood elevated at 5.12x as on March 31, 2020 (P). The total indebtedness of the concern as reflected by TOL/TNW remained modest at 5.87x due to high debt level and interest coverage ratio standing at 1.81x in FY20 (P) as compared to 3.35x in FY19 and 2.84x in FY18.

Analytical Approach:

Standalone

Applicable Criteria

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity - Adequate

The liquidity ratios of the concern remained healthy with the current ratio at 1.29x and the quick ratio at 1.10x as on March 31, 2020 (P). ASC is generating sufficient cash accrual to meet the debt obligation. ASC's utilization of the bank limits was comfortable at around ~50 % over the last 12 months ended August 2020.

About the company

Akriti Sales Corporation (ASC) is a proprietary firm founded in 1999 by Mr. Kamal Drolia. It is an ISO 9001:2008 certified firm, headquartered in Vadodara, Gujarat. It is into the trading of Cement, TMT Bars, Structural Steel products (re-rolling materials), Sheets and all types of pipes. The promoter initially started with the cement business and from 2008 onwards it started with steel trading business, by becoming authorised dealers for JSPL and SAIL. They are basically into B2B business model having corporates and recognised institutional bodies as its clients. Akriti Sales Corporation is having more than 100 corporate and industrial customers associated with them.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-20 (Provisional)
Total Operating Income	203.66	261.50	269.64
EBITDA	6.36	9.89	6.43
PAT	5.03	7.67	4.80
Total Debt	33.01	37.95	42.66
Tangible Net-worth	12.35	13.41	8.33
Ratios			
EBITDA Margin (%)	3.12	3.78	2.38
PAT Margin (%)	2.46	2.92	1.77
Overall Gearing Ratio (x)	2.67	2.83	5.12

*Classification as per Infomerics standards



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Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	31.75	IVR BB+/Stable Outlook	--	--	--
2.	Long Term Fund Based Facility – Channel Finance	Long Term	6.50	IVR BB+/Stable Outlook	--	--	--
3.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	1.00	IVR A4+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility– Cash Credit	NA	NA	Revolving	31.75	IVR BB+/Stable Outlook
Long Term Fund Based Facility– Channel Finance	NA	NA	Revolving	6.50	IVR BB+/Stable Outlook
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	-	1.00	IVR A4+