

Shri Hare Krishna Sponge Iron Limited

Instrument	Amount	Rating Action
Fund Based Limit – Cash Credit	Rs. 8.00 crore	[ICRA]B assigned
Non fund Based Limit – Letter of Credit*	Rs. 5.00 crore	[ICRA]A4 assigned
Non fund Based Limit – Bank Guarantee	Rs. 0.50 crore	[ICRA]A4 assigned

**interchangeability of CC limit into LC limit, if LC limit exceeds Rs. 5.00 crore by reducing CC limit*

ICRA has assigned a long term rating of [ICRA]B (pronounced ICRA B) to the Rs. 8.00 crore* cash credit facility of Shri Hare Krishna Sponge Iron Ltd. (SHKSIL)[†]. ICRA has also assigned a short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 5.00 crore letter of credit and Rs. 0.50 crore bank guarantee facilities of SHKSIL.

The assigned ratings take into consideration the weak financial profile of the company characterized by significant cash losses incurred during 2014-15 and also in the current financial year, resulting in depressed level of coverage indicators, and the high working capital intensity of operations owing to significant stocking requirements. The ratings are also impacted by the cyclicity inherent in the steel industry, which is going through a difficult phase, resulting in the suspension of operations at some of the units (currently operating only the sponge iron unit) of the company. The ratings also factor in the company's dependence on external sources for procurement of raw materials, exposing SHKSIL to volatility in raw material and finished goods prices, which are likely to keep SHKSIL's profitability and cash flows volatile. The ratings, however, derive comfort from the experience of the promoters in the steel industry and low reliance on external debt, leading to a comfortable capital structure of the company.

Company Profile

Incorporated in 2003, Shri Hare Krishna Sponge Iron Ltd. is currently engaged in the manufacturing of sponge iron with an installed capacity of 30,000 metric tonne per annum(MTPA). Besides, the company has the production capacities for manufacturing of mild steel ingots and steel shots with an installed capacity of 16,200 MTPA and 5,100 MTPA respectively; although the operations of the same is currently suspended. The manufacturing facilities of the company are located at Siltara, Raipur, Chhattisgarh.

Recent Results

During the first six months of 2015-16, the company reported a net loss of Rs. 3.13 crore (provisional) on an operating income of Rs. 21.19 crore (provisional), against a net loss of Rs. 1.97 crore on an operating income of Rs. 64.72 crore in 2014-15

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* 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



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