

April 15, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loans	621.08	SMERA C (Assigned)
Cash Credit	257.95	SMERA C (Assigned)
Letter of Credit	144.32	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA C' (read as SMERA C)** and short term rating of '**SMERA A4' (read as SMERA A four)** to the Rs.1,023.35 crore bank facilities of SKS Ispat and Power Limited (SKS). The ratings notes that the company's bank facilities are under corporate debt restructuring (CDR) mechanism. The rating is constrained by the company's weak financial profile and stretched liquidity position. The rating also notes that the company's profitability is susceptible to volatility in raw material prices and cyclicity inherent in the end-user industries. However, ratings weakness is partially offset by promoters experience in the iron and steel industry.

SKS, incorporated in 2000, is a Mumbai-based company engaged in manufacturing and trading of long steel products. SKS's bank facilities are under corporate debt restructuring (CDR) mechanism. The company's weak financial profile is reflected in negative net cash accruals of Rs.36.70 crore (provisional) for the period April 2014 to December 2014. SKS has weak debt protection metrics with high gearing (debt-equity ratio) of 2.78 times (provisional) as on December 31, 2014 and low interest coverage ratio of 0.50 times (provisional) for the period April 2014 to December 2014. The company's revenue decline to Rs.791.56 crore in FY2013-14 from Rs.1,306.90 crore in FY2012-13. SKS's stretched liquidity position is reflected in full utilisation of working capital limit for the six months ended February 2015.

SKS's utilisation of installed production capacity is low at ~50 per cent. The company's profitability is susceptible to volatility in raw material prices and cyclicity inherent in the end-user industries.

SKS's promoters have around three decades of experience in the iron and steel industry.

Rating sensitivity factors

- Infusion of capital
- Higher utilisation of production capacities

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

**About the company**

SKS, incorporated in 2000, is a Mumbai-based company promoted by members of the Gupta family. SKS is engaged in manufacturing and trading of long steel products such as beams, angles, channels, TMT bars and wire rods. The company has installed capacity of 352,000 tonnes per annum (TPA) for rolled products, and 160,000 TPA for TMT bars and wire rods. SKS also has a captive power plant with generation capacity of 85 megawatts.

For FY2013-14, SKS reported net loss of Rs.121.26 crore on operating income of Rs.791.56 crore, as compared with net loss of Rs.150.97 crore on operating income of Rs.1,306.90 crore in FY2012-13. Further, the company registered net loss of Rs.73.31 crore (provisional) on operating income of Rs.769.83 crore (provisional) during April 2014 to December 2014. SKS's tangible net worth stood at Rs.380.37 crore as on March 31, 2014, as compared with Rs.475.17 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President - Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Vinay Chhawchharia Manager – Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.