

SKS Ispat and Power Limited: Downgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	337.14 (Revised from 621.08)	SMERA D (Downgraded from SMERA C)
Cash Credit	207.95 (Revised from 257.95)	SMERA D (Downgraded from SMERA C)
Letter of Credit	159.83 (Revised from 144.32)	SMERA D (Downgraded from SMERA A4)
Bank Guarantee	23.00	SMERA D (Assigned)
Term Loan	18.00	SMERA C (Withdrawn)

SMERA has downgraded the ratings on the Rs.704.92 crore bank facilities of SKS Ispat and Power Limited (SKS) to '**SMERA D**' from 'SMERA C' (read as SMERA C) and 'SMERA A4' (read as SMERA A four). SMERA has also assigned rating of '**SMERA D**' (read as **SMERA D**) on the Rs.23.00 crore bank facilities. Further, SMERA has withdrawn the rating of SMERA C assigned to the Rs.18 crore bank facility of SKS since there are no dues outstanding on the term loan account as certified by the banker.

The rating downgrade factors in the delays in servicing of term loan obligations. The ratings are further constrained by the weak financial profile, susceptibility of profit margins to volatility in raw material prices and cyclicalities inherent in the end-user industries. However, the abovementioned weaknesses are partially offset by the experience of the promoters in the iron and steel industry.

Update

SKS has booked operating income of Rs.989.64 crore in FY2014-15 as against Rs.791.56 crore in FY2013-14. The company incurred net loss of Rs.111.99 crore in FY2014-15. The weak financial profile is reflected in the negative net cash accruals of Rs.61.42 crore in FY2014-15. SKS has weak debt protection metrics with high gearing (debt-equity ratio) of 3.31 times as on March 31, 2015 and low interest coverage ratio of 0.23 times for FY2014-15. Further, delays have been observed in repayment of term loan obligations of the company.

Rating Sensitivity Factors

- Curing of default
- Improvement in capital structure
- Efficient working capital management
- Improvement in operating profit margins

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SKS, incorporated in 2000, is a Mumbai-based company promoted by members of the Gupta family. The company is engaged in the manufacturing and trading of beams, angles, channels, TMT bars and wire rods. The installed capacity is 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 FY2014-15 (refers to financial year, April 01 to March 31), SKS registered net loss of Rs.111.99 crore on operating income of Rs.989.64 crore as compared with net loss of Rs.121.26 crore on operating income of Rs.791.56 crore in FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
15 April, 2015	Term Loans	621.08	SMERA C (Assigned)	-	-
	Cash Credit	257.95	SMERA C (Assigned)	-	-
	Letter of Credit	144.32	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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