

Press Release

SKS Ispat and Power Limited (SKS)

23 October, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 727.92 Cr
Long & Short Term Rating	SMERA D (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA D**' (**read as SMERA D**) on the Rs.727.92 crore bank facilities of SKS Ispat and Power Limited (SKS).

SKS, incorporated in 2000, is a Mumbai-based company promoted by Mr Gupta and family. The company is engaged in the manufacturing and trading of beams, angles, channels, TMT bars and wire rods. The installed capacity stands at 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.

List of key rating drivers and their detailed description

Strengths

Experienced management: The promoters, Mr. Anil Gupta and Mr. Deepak Gupta have experience of around two decades in the iron and steel industry.

Weaknesses

Delay in debt servicing: The rating reflects on-going irregularities in the last three months in the repayment of principal and interest on the term loan on account of stretched liquidity position.

Weak financial risk profile: The company has restructured its debt under the Corporate Debt Restructuring (CDR) mechanism wherein a part of the debt was converted to compulsory cumulative convertible preference share of Rs.258.13 crore as on 31 March, 2016. This resulted in an increase in networth to Rs.425.34 crore as on 31 March, 2016 compared to Rs.266.48 crore as on 31 March, 2015. As on 31 March, 2017 (Provisional) the networth stood at Rs.394.74 crore. The gearing stood at 1.39 times as on 31 March, 2017 (Provisional). The total debt of Rs.547.98 crore includes term loans of Rs.346.15 crore, CPLTD of Rs.65.06 crore and short term borrowings of Rs.136.78 crore.

The company has negative net cash accruals of Rs.27.20 crore and interest coverage of 0.60 times in FY2017 (Provisional).

Exposure to cyclicalities in the industry and susceptibility of profitability to volatility in raw material prices: The company is exposed to the inherent cyclicalities in the iron and steel industry due to its dependence on the infrastructure sector which is correlated to economic cycles. Further, the presence in a highly fragmented and competitive industry limits pricing flexibility.

The company's profitability is susceptible to volatility in the prices of major raw materials - iron ore and coal.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manfacturing.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

About the Rated Entity

For FY2016-17 (Provisional), SKS reported net loss of Rs.71.29 crore on operating income of Rs.716.67 crore, compared to net loss of Rs.137.95 crore on operating income of Rs.674.91 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating
Term Loan - I	LT	152.27	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan -II	LT	14.08	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan -III	LT	9.36	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan -III	LT	17.41	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - IV	LT	9.25	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - V	LT	5.89	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - VI	LT	14.97	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - VII	LT	14.98	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - VIII	LT	17.49	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)

Term Loan - IX	LT	4.78	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - X	LT	11.72	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Term Loan - XI	LT	49.83	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Cash Credit	LT	208.45	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA C (Assigned)
Letter of Credit	ST	159.83	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Downgraded)	15/Apr/2015	SMERA A4 (Assigned)
Bank Guarantee	ST	23.00	SMERA D (Reaffirmed)	25/Jul/2016	SMERA D (Assigned)	-	-
Proposed Fund Based Limit	LT	14.61	SMERA D (Assigned)				

Term loans outstanding as on 30/Jun/2017

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan - I	NA	NA	NA	152.27	SMERA D (Reaffirmed)
Term Loan - II	NA	NA	NA	14.08	SMERA D (Reaffirmed)
Term Loan - III	NA	NA	NA	9.36	SMERA D (Reaffirmed)
Term Loan - III	NA	NA	NA	17.41	SMERA D (Reaffirmed)
Term Loan - IV	NA	NA	NA	9.25	SMERA D (Reaffirmed)
Term Loan - V	NA	NA	NA	5.89	SMERA D (Reaffirmed)
Term Loan - VI	NA	NA	NA	14.97	SMERA D (Reaffirmed)
Term Loan - VII	NA	NA	NA	14.98	SMERA D (Reaffirmed)
Term Loan - VIII	NA	NA	NA	17.49	SMERA D (Reaffirmed)
Term Loan - IX	NA	NA	NA	4.78	SMERA D (Reaffirmed)
Term Loan - X	NA	NA	NA	11.72	SMERA D (Reaffirmed)
Term Loan - XI	NA	NA	NA	49.83	SMERA D (Reaffirmed)
Cash Credit	NA	NA	NA	208.45	SMERA D (Reaffirmed)
Letter of Credit	NA	NA	NA	159.83	SMERA D (Reaffirmed)
Bank Guarantee	NA	NA	NA	23.00	SMERA D (Reaffirmed)
Proposed Fund Based Limit	NA	NA	NA	14.61	SMERA D (Assigned)

Term loans outstanding as on 30/Jun/2017

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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