

Press Release

Surya Ferrous Alloys Private Limited

D-U-N-S® Number: 87-229-4667



January 17, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 35.00 crore bank facilities of SURYA FERROUS ALLOYS PRIVATE LIMITED. The outlook is '**Stable**'.

The Maharashtra based SFAPL, incorporated in 2004, is led by Mr. Amit Garg. It is engaged in manufacturing of TMT bars and MS billets. The manufacturing facility is located at Wada Sahapur Road (Palghar) spread across fourteen acres of land. The installed manufacturing capacity of MS billets is 90000 tonnes per annum and TMT bars is 75000 tonnes per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

SFAPL is promoted by Garg family having collective experience of more than four decades in the steel industry by virtue of its association with group companies Shree Sushma Ferrous Alloys Private Limited and Rakesh Steel Trader. SFAPL is led by Mr. Amit Garg having experience of more than a decade in the steel industry. Acuité believes that the company will continue to benefit from the extensive experience of its promoters and long track record of operations in the steel industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate net worth comfortable gearing and debt protection measures. The net worth stood at around Rs.26.84 crore as on 31 March, 2018 as against Rs.23.53 crore in the previous year. The gearing (debt to equity) stood at 1.73 times as on 31 March, 2018 compared to 2.36 times in the previous year. The total debt of Rs.46.56 crore as on 31 March, 2018 consists of term loan of Rs.15.96 crore and working capital facility of Rs.30.60 crore. The interest coverage ratio stood at 1.73 times in FY2018 as against 2.36 times in FY2017. TOL/TNW Moreover, the NCA/TD stood at 0.12 times in FY2018. Going forward, Acuité expects improvement in the overall financial health of the company in the absence of any significant debt funded capex plan over the medium term.

Weaknesses

- **Uneven revenue trend**

There has been decline in revenues of SFAPL despite of favourable market conditions prevailing for steel industry. The operating income in FY2018 was Rs. 283.23 crore as against Rs. 309.50 crore in FY2017 and Rs. 307.34 crore in FY2016.

- **Thin profitability**

The company reported operating margins of 4.28 percent for FY 2018 as against 5.52 percent for FY 2017 and 5.17 percent for FY 2016, the decline in the margins was mainly due to increase in fuel prices

and other input prices. Margins of the company are susceptible to volatility in raw material prices. Any significant changes in raw material prices would have an impact on the margins of the company.

- **Intense competition and inherent cyclical nature in the steel industry**

The industry remained heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry.

Outlook: Stable

Acuité believes that SFAPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience and its moderate financials risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained improvement in its profitability from the current levels while maintaining its efficient working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or if the financial risk profile weakens.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	283.23	309.50	307.34
EBITDA	Rs. Cr.	12.13	17.07	15.88
PAT	Rs. Cr.	0.99	0.82	1.18
EBITDA Margin	(%)	4.28	5.52	5.17
PAT Margin	(%)	0.35	0.27	0.38
ROCE	(%)	10.19	11.85	25.83
Total Debt/Tangible Net Worth	Times	1.73	2.36	2.54
PBDIT/Interest	Times	1.84	1.73	1.79
Total Debt/PBDIT	Times	3.81	3.86	3.64
Gross Current Assets (Days)	Days	96	73	75

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.40	ACUITE BB+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.70	ACUITE BB+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.90	ACUITE BB+ / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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