

Press Release
Sunvik Steels Private Limited

September 08, 2020



Rating Upgraded and Withdrawn

Total Bank Facilities Rated*	Rs.71.75 Cr.
Long Term Rating	ACUITE BBB- (Upgraded from ACUITE BB+ and withdrawn)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+ and withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.71.75 cr. bank facilities of Sunvik Steels Private Limited (SSPL) and has subsequently withdrawn the rating.

The rating was downgraded as per the press release dated August 04, 2020 on account of information risk. However, the company has now cooperated with Acuité for the review. The rating upgrade is mainly driven by improvement in the profitability matrices while managing the working capital cycle efficiently.

This rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and No Objection Certificate (NOC) received from the banker.

SSPL, incorporated in 2003, is a Karnataka-based company promoted by Mr. Vivek Kumar Kejriwal, Mr. Mahendra Kumar Kachhara and others. The company is engaged in the manufacture of sponge iron, billets and TMT bars and sells the same under the 'SUNVIK' and 'OMSAI' brand names.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ASPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

SSPL was incorporated in 2003. The established track record of operations has helped the company maintain long-standing relations with suppliers and customers. Further, the promoter, Mr. Vivek Kejriwal has more than a decade of experience in steel manufacturing while the Director, Mr. Mahendra Kumar Kachhara has more than two decades of experience in the manufacturing of aluminum and other non-ferrous alloys. Besides, the top management is ably supported by a qualified and experienced second line of management.

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.

• Above average financial risk profile

SSPL has above-average financial risk profile marked by moderate capital structure and healthy debt protection matrices. The net worth of the company improved to Rs.51.57 crore as on 31 March 2020 (Provisional) as against Rs.40.48 crore as on 31 March 2019 mainly due to accretion to reserves. The gearing and Total outside Liability to Tangible Net worth (TOL/TNW) ratios have also improved to 1.08 times and 1.74 times respectively as on 31 March 2020 (Provisional) as against 1.66 times and 2.33 times respectively as on 31 March 2019. The debt protection matrices stood comfortable marked by ICR and DSCR of 5.13 times and 3.86 times for FY2020 (Provisional) as against 4.59 times and 2.58 times, respectively for FY2019.

SSPL is in a process to set up solar power plants for its captive use. The company has availed loan from bank of Rs.30.00 crore for the same. Acuité believes that there will be a moderation in the financial risk profile in FY2021 on account of the said capex.

• Efficient working capital operations

SSPL's has an efficient working capital cycle marked by Gross Current Asset (GCA) of 67 days in FY2020 (Provisional) compared to 64 days in FY2019. The GCA days are mainly dominated by debtors of 40 days and inventory of 24 days in FY2020 (Provisional). The average cash credit utilisation for the past six months ended August 2020 stood at ~75 percent.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

• Competitive and fragmented industry

The company is exposed to intense competition in the steel sector due to the presence of a large number of unorganised players on account of low entry barriers with little technology intensity and limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the company's business risk profile is exposed to the inherent cyclical in these sectors.

Liquidity position: Adequate

SSPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals in the range of Rs.9.60-17.00 crore over the last three years ended FY2020 (Provisional) whereas the repayment obligations were in the range of Rs.0.7-2.3 Crore. The company's working capital operations are efficiently marked by Gross Current Asset (GCA) days of 64 days for FY2020 (Provisional). SSPL maintains unencumbered cash and bank balances of Rs.2.32 crore as on 31 March 2020 (Provisional).

Rating Sensitivities

Not Applicable

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	424.51	467.59
PAT	Rs. Cr.	11.09	8.47
PAT Margin	(%)	2.61	1.81
Total Debt/Tangible Net Worth	Times	1.08	1.66
PBDIT/Interest	Times	5.13	4.59

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Aug-20	Cash Credit	Long term	30.00	ACUITE BB+ (Downgraded Indicative)
	Cash Credit	Long term	15.00	ACUITE BB+ (Downgraded Indicative)
	Term Loan	Long term	1.75	ACUITE BB+ (Downgraded Indicative)
	Letter of Credit	Short term	10.00	ACUITE A4+ (Downgraded Indicative)
	Bank Guarantee	Short term	15.00	ACUITE A4+ (Downgraded Indicative)
19-Jun-19	Cash Credit	Long term	30.00	ACUITE BBB- (Indicative)
	Cash Credit	Long term	15.00	ACUITE BBB- (Indicative)
	Term Loan	Long term	1.75	ACUITE BBB- (Indicative)
	Letter of Credit	Short term	10.00	ACUITE A3+ (Indicative)
	Bank Guarantee	Short term	15.00	ACUITE A3+ (Indicative)
09-Apr-18	Cash Credit	Long term	30.00	ACUITE BBB-/Stable (Downgraded)
	Cash Credit	Long term	15.00	ACUITE BBB- /Stable (Assigned)
	Term Loan	Long term	1.75	ACUITE BBB- /Stable (Assigned)
	Cash Credit	Long term	13.50	ACUITE BBB (Withdrawn)
	Term Loan	Long term	11.90	ACUITE BBB (Withdrawn)
	Letter of Credit	Short term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short term	15.00	ACUITE A3+ (Reaffirmed)
31 Jan 2017	Term Loan	Long term	11.90	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long term	38.50	ACUITE BBB/Stable (Reaffirmed)
	Letter of Credit	Short term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short term	3.00	ACUITE A3+ (Reaffirmed)
	Proposed Working Capital Demand Loan	Short term	3.10	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00 (Revised from Rs.30 Cr.)	ACUITE BBB- (Upgraded from ACUITE BB+ and withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00 (Enhanced from Rs.15 Cr.)	ACUITE BBB- (Upgraded from ACUITE BB+ and withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB- (Upgraded from ACUITE BB+ and withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	1.75	ACUITE BBB- (Upgraded from ACUITE BB+ and withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Upgraded from ACUITE A4+ and withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Upgraded from ACUITE A4+ and withdrawn)

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About Acuité Ratings & Research:

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