

Press Release

02 March, 2017

Select Galva India Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.42.00 Cr
Long Term Rating	SMERA B+/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 42.00 crore bank facilities of Select Galva India Private Limited (Blr). The outlook is '**Stable**'.

Select Galva India Private Limited (SGIPL) is an authorised dealer of TATA Steel Ltd (TSL) for galvanised corrugated sheets in Tamil Nadu.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The Select Galva Group established in 1962 is engaged in the trading and manufacturing of galvanised steel. The operations are led by the Director, Mr. Azam Khan Abdul Razack who possesses more than three decades of experience in the said line of business. SGIPL is one of the leading distributors of galvanised steel for Tata Steel in Tamil Nadu and Pondicherry.

- **Improvement in operating margins**

The operating margins of the group improved to 7.61 percent in FY2016 from 6.06 percent in FY2015. Further the PAT (Profit after Tax) margins also improved to 0.59 percent in FY2016 from 0.13 percent in FY2015.

- **Reputed clientele**

The group caters to reputed clients such as Johnson & Johnson, Kone Elevators India Private Limited, Godrej 7 Star among others.

Weaknesses

- **Moderate scale of operations**

The operating income declined to Rs.127.92 cr in FY2016 from Rs.176.61 cr in FY2015 due to decline in steel prices. The group registered revenue of ~Rs.127.59 cr from April 2016 to January 2017.

- **Below average financial risk profile**

The group has below average financial risk profile marked by net worth of Rs.19.39 cr as on March 31 2016 as against Rs.19.97 cr as on March 31 2015. The gearing (debt-equity ratio) stood at 3.47 times as on March 31 2016 as against 2.35 times as on March 31 2015. The group's debt protections metrics are moderate as Interest coverage ratio and DSCR (debt service coverage ratio) stood at 1.59 times and 1.58 times for FY2016. The NCA/TD stood at 0.05 times. The TOL/TNW levels are high at 4.41 times for

FY2016.

• Working capital intensive operations

The operations are working capital intensive as reflected in the high gross current assets (GCA) of 207 days as on March 31 2016. This was on account of increase in inventory days to 160 in FY2016 (PY: 82 days). The working capital cycle stands high at 161 days as on March 31 2016. The average six month utilisation of working capital facility ended January 2016 stood at ~99.10 percent.

Analytical Approach

SMERA has consolidated the financials and business risk profiles of Select Galva India Private Limited, SMPC Industries India Private Limited and Select Exim. The three entities are referred to as the Select Galva Group on account of the similarity in the lines of business, financial fungibility and common management.

Outlook: Stable

SMERA believes that the outlook on the group will remain Stable over the medium term on account of the extensive experience of the management. The outlook may be revised to Positive if the group reports substantial growth in revenue with improvement in profitability and financial risk profile. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile, operating margins or if the company takes on debt funded capex.

About the Group

The Select Galva Group established in 1962, is a Tamil Nadu-based group engaged in the trading and manufacturing of galvanised steel products. The group comprises three entities viz. Select Galva India Private Limited (SGIPL), SMPC Industries India Private Limited (SIIPL) and Select EXIM (SE).

About the Rated Entity - Key Financials

SGIPL was promoted by Mr. Azam Khan in 2006. The company is an authorised dealer of TATA Steel Ltd (TSL) for galvanised corrugated and colour- coated sheets as also roofing sheets in Tamil Nadu. The day-to-day operations are managed by Mr. Azam Khan and Mr. Mohammed Salaieh A. On consolidated basis, the Select Galva Group reported net profit after tax (PAT) of Rs.0.75 cr on operating income of Rs.127.92 cr in FY2015-16 compared to PAT of Rs. 0.23 cr on operating income of Rs.173.27 cr in the previous year. The net worth stood at Rs.19.39 cr as on March 31, 2016 compared to Rs.19.97 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	25.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	SMERA B+ / Stable

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ABOUT SMERA

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