

Press Release

SEETA INTEGRATED STEEL AND ENERGY LIMITED

October 13, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 8.50 crore bank facilities of Seeta Integrated Steel And Energy Limited. The outlook is '**Stable**'.

Seeta Integrated Steel & Energy Limited (SISEL) was established in 2002. The company led by Mr. Ashok Agarwal, Mr. Bajrang Kumar Agarwal, Mr Rahul Mittal and Mr. Ajay Kumar Goel is engaged in the manufacturing of sponge iron. The manufacturing facility is located at Rourkela, Odisha.

Key Rating Drivers**Strengths****• Experienced management**

SISEL commenced operations in 2002. The Directors, Mr. Ajay Kumar Goel, Mr. Rahul Mittal and others have experience of more than a decade in the iron and steel industry.

• Above average financial riskprofile

The financial risk profile is above average marked by moderate net worth of Rs. 17.11 crore in FY2017 (Provisional), an increase from Rs.16.34 crore in FY2016, mainly on account of retention of current year profits. The gearing of the company stood comfortable at 0.56 times as it increased slightly from 0.53 times in FY2016, mainly due to increase in short term debt. The interest coverage ratio stood comfortable at 2.65 and debt service coverage ratio at 2.49 times in FY2017 (Provisional). The NCA/TD stood at 0.19 times in FY2017 (Provisional).

Weaknesses**• Volatility in raw material prices**

The margins of the company are susceptible to volatility in iron ore prices. Significant changes in iron ore prices due to import pressure and over supply would have an impact on the margins of the company.

• Working capital intensive operations

The operations are working capital intensive marked by gross current asset days of 143 during FY2017 (Provisional) compared to 212 days in FY2016. This necessitates working capital requirements as major funds gets blocked in inventory. The inventory days are high at 88 days in FY2017 (Provisional) compared to 157 days in FY2016. This is mainly due to the inherent cyclical in the iron and steel industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SISEL.

Outlook: Stable

SMERA believes that SISEL will maintain a stable outlook over the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook

may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, SISEL reported profit after tax (PAT) of Rs 0.99 crore on total operating income of Rs.56.87 crore, compared with loss of Rs.10.06 crore on total operating income of Rs.28.05 crore in FY2014-15.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	8.50	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smerra.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smerra.in
Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1222 abhishek.dey@smerra.in	

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