

Press Release

Seeta Integrated Steel And Energy Limited (SISEL)

August 24, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long Term Rating	ACUITE BB-/Stable (Upgrade)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 10.50 crore bank facilities of Seeta Integrated Steel And Energy Limited. The outlook is '**Stable**'.

The rating upgrade factors in significant improvement in revenues in FY'2018 (provisional) which has grown at a three year CAGR of around 31 per cent from FY'2015 till FY'2018. The increase in revenues along with steady profitability has led to improvement in net cash accruals which have increased from Rs. (1.52) crores in FY'2016 to Rs. 2.09 crores in FY'2018 (Provisional).

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 with an installed capacity of 150 MTPD. 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 around 16 years in the iron and steel industry.

Above average financial risk profile:

The above average financial risk profile of the company is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.18.29 crore in FY2018 (Prov.) as compared to Rs.17.51 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.43 times in FY2018 (Prov.) as compared to 0.55 times in FY2017. The total debt of Rs.7.82 crore consists of only short-term debt. The interest coverage ratio (ICR) of the company stood comfortable at 3.20 times in FY2018 (Prov.) as compared to 2.87 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 2.73 times in FY2018 (Prov.) as compared to 2.95 times in FY2017. The net cash accruals against the total debt (NCA/TD) stand comfortable at 0.27 times in FY2018 (Prov.) compared to 0.26 times in FY2017.

Weaknesses

Working capital intensive nature of operation:

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 118 days in FY2018 (Prov.) as compared to 144 days in FY2017. These high GCA days are mainly due to the high other current assets of Rs.5.02 crore, which is mainly consist advance to suppliers. The inventory days stands moderate at 64 days in FY 2018 (Prov.) as compared to 91 days in the previous year. The debtor days are also stands moderate at 27 days in FY2018 (Prov.) as compare to 19 days in the previous year.

Moderate scale of operation:

Though the company has started its operation since 2002, the revenue of the company stood modest at Rs.63.05 crore in FY 2018 (Prov.) as compared to Rs.56.83 crore in FY2017. Acuité believes that the ability of the group to increase scale of operations while sustaining its profitability margins will remain a key monitorable.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuite believes that SISEL will maintain a stable outlook over the medium term on account of its long track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accrals while maintaining financial risk profile and improves its working capital management. Conversely, the may be revised to 'Negative' in case of lower-than-expected growth in revenues or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	63.05	56.83	28.05
EBITDA	Rs. Cr.	3.49	3.55	(0.19)
PAT	Rs. Cr.	0.78	1.18	(2.82)
EBITDA Margin	(%)	5.53	6.24	(0.68)
PAT Margin	(%)	1.24	2.07	(10.06)
ROCE	(%)	7.64	8.18	(4.70)
Total Debt/Tangible Net Worth	Times	0.43	0.55	0.53
PBDIT/Interest	Times	3.20	2.87	(0.11)
Total Debt/PBDIT	Times	2.21	2.62	(56.82)
Gross Current Assets (Days)	Days	118	144	212

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Oct-2017	Cash Credit	Long Term	8.50	ACUITE B+/Stable (Assigned)

***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	10.50	ACUITE BB-/Stable (Upgrade)

Contacts

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