

## Press Release

### SREE RENGARAJ ISPAT INDUSTRIES PRIVATE LIMITED

February 15, 2018

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 125.00 Cr.
<b>Long Term Rating</b>	SMERA BBB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A3

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 125.00 crore bank facilities of SREE RENGARAJ ISPAT INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

Tamil Nadu based Sree Rengaraj Steel and Alloys Private Limited is a steel manufacturing company established in 1973 by Mr. P.V.Pandurangan, taking up the operations of rolling mills. Later, Sree Rengaraj Ispat Industries Private Limited a group company was incorporated in 2004 by Mr. Pandurangan Sampath kumar, Mr. Pandurangan Siva kumar, Mr. Pandurangan Srinivasan engaged in the manufacturing of steel, MS Billets, TMT bars and power generations. The company has installed capacity of 81000 MT for sponge iron, 81000 MT for MS billet and 50000 MT for MS bars & TMT. Moreover the company has 8MW waste heat recovery system and 30 MW thermal power plant.

#### Key Rating Drivers

##### Strengths

###### • Established track record of operation and experienced management

Sree Rengaraj Steel and Alloys Private Limited is a steel manufacturing company established in 1973 by Mr. P.V.Pandurangan in Tamil Nadu, taking up the operations of rolling mills. Later, Sree Rengaraj Ispat Industries Private Limited a group company was incorporated in 2004 engaged in the manufacturing of steel, MS Billets, TMT bars and power generations in states like Kerala, Karnataka and Tamil Nadu. Mr. Pandurangan Sampathkumar (Managing Director), Mr. Pandurangan Sivakumar (Director) and Mr. Pandurangan Srinivasan (Director) have experience of over 3 decades in steel industry.

###### • Healthy Financial Risk Profile

SRIIPL has healthy financial risk profile marked by healthy net worth of Rs.70.11 crore as on March 31, 2017 as against Rs.65.96 crore in previous year. The company has operating margins of 16.06 percent in FY2017 compared to 15.73 percent in FY2016. The gearing stood at 1.54 times as on March 31, 2017 as against 1.97 times in previous year. The total debt of Rs.107.66 crore consist of term loans of Rs.57.76 crore, unsecured loans of Rs. 31.27 crore and short term borrowings of Rs.19.87 crore. The interest coverage ratio stood moderate at 1.90 times and DSCR stood at 0.98 times in FY2017.

###### • Moderate working capital intensity

The company has moderate working capital intensity with GCA of 117 days in FY2017 which mainly constitutes of inventory holding of 60 days and debtors of 56 days in FY2017. The average working capital utilization stood around ~95 per cent during the year FY2017.

##### Weaknesses

###### • Susceptibility of margins to volatility in the raw material

Margins of the company are susceptible to volatility in raw material (sponge iron/billets/scrap) prices. Any significant changes in commodity prices due to import pressure and over supply would have an impact on

margins of the company.

**• Competitive and fragmented nature of industry**

The company competes with some of the major players in the steel industry thus limiting the pricing power.

**Analytical Approach**

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

**Outlook: Stable**

SMERA believes SRIIPL will benefit on account of experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues and increase in the margins. Conversely the outlook may be revised to Negative in case of significant decline in revenues and profitability or larger than expected debt funded capex.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	292.01	275.83	360.78
EBITDA	Rs. Cr.	46.90	43.40	45.48
PAT	Rs. Cr.	4.15	2.07	1.70
EBITDA Margin	(%)	16.06	15.73	12.61
PAT Margin	(%)	1.42	0.75	0.47
ROCE	(%)	16.74	14.32	29.52
Total Debt/Tangible Net Worth	Times	1.54	1.97	2.37
PBDIT/Interest	Times	1.90	1.70	1.61
Total Debt/PBDIT	Times	2.34	3.06	3.36
Gross Current Assets (Days)	Days	117	125	93

**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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
Term loans	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB- / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA A3
Proposed	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3

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