

## Press Release

### SKP Steel Industries Private Limited

June 03, 2019

### Rating Re-affirmed



<b>Total Bank Facilities Rated</b>	Rs. 39.00 crore
<b>Long Term Rating</b>	ACUITE BBB- / Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 39.00 crore bank facilities of SKP Steel Industries Private Limited. The outlook is '**Stable**'.

Incorporated in 1997, SKP Steel Industries Private Limited (SKP) is a Kolkata based company, promoted by Mr. Surendra Kumar Pasari. The company is engaged in the manufacturing of MS Wires, MS Pipes and Stainless Steel Pipes under the brand "Kings". The company has installed capacity of 34000 metric tonnes per annum (MTPA) of MS pipes, 3000 MTPA of stainless steel (SS) pipes and 1000 tonnes of MS Wires. Currently, the day to day operations of the company are looked after by the second generation of the Pasari family, led by Mr. Anirudh Pasari and Mr. Ayush Pasari, along with the guidance of Mr. Surendra Pasari.

#### Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of SKP Steel Industries Private Limited.

#### Key Rating Drivers

##### Strengths: -

#### Experienced management and long track record of operations

Incorporated in 1997, SKP has a track record of over two decades in the iron and steel industry. SKP was promoted by Mr. Surendra Kumar Pasari, who has diversified business experience of more than four decades in the field of auto dealership, real estate and tea gardens. Currently, the day to day operations of the company are looked after by Mr. Anirudh Pasari and Mr. Ayush Pasari, along with Mr. Surendra Pasari.

#### Improvement in operating income

The company has registered healthy growth in top line with revenue of Rs. 155.56 crore in FY2018 from Rs. 104.22 crore in FY2016, thereby registering a cumulative annual growth rate of 22.17 per cent during the last 2 years. The growth in revenue is on account improvement in realization of MS pipe and SS pipe. During FY 2018-19, the company has registered an operating income of ~ Rs 159 crore till 31<sup>st</sup> March'19 (prov). Going forward, Acuité expects further improvement in the topline due to the recently completed capex in order to enhance its MS pipes capacity by 24000MT to 54000MT from the current level of 30000MT. The operations from additional capacity are likely to commence from June'2019.

#### Moderate financial Risk Profile

The moderate financial risk profile of the company is marked by its moderate net worth, moderate gearing and debt protection metrics. The net worth of the company stood at Rs 22.47 crore as on 31<sup>st</sup> March'18, as against Rs 18.43 crore a year earlier. SKP's net worth includes Rs. 9.97 crore of unsecured

loans from promoters/ directors. Acuite has treated the same as quasi equity, as the amount is subordinated to bank debt and the company has also given an undertaking that they will maintain the same in the business. The debt- equity stands moderate at 1.44 times as on 31<sup>st</sup> March' 18 as compared to 1.46 times a year earlier. The moderate gearing is on the account of term loan taken to complete the capex to enhance its MS pipe capacity expansion. The interest coverage ratio and DSCR stood moderate at 1.72 times and 1.39 times in FY2018, as compared to 1.70 times and 1.39 times respectively in FY2017. The NCA /TD stood at 0.07 times in FY2018 as compared to 0.09 times in FY2017.

#### Weaknesses:

##### Moderate working capital intensity

The operations are moderately working capital intensive in nature marked by gross current asset (GCA) days of 122 in FY2018 as against 133 days in FY2017. The moderate GCA days are on account of debtor days of 104-115 during the period under review. The company extends 90 days credit period to its dealers and 120 days to few big customers like M/s. Skipper Limited, Utkarsh India Limited (rated ACUITE A-/Stable/A2+), Godavari Commodities Limited, etc. as they have strong creditability in the market and payment is also secure with them. The company maintains inventory of around 3 weeks at most so as to mitigate price fluctuation and on account of easy availability of raw materials. The working capital intensity is further reflected from ~ 95 per cent utilisation of its fund based limits for the twelve month ended March' 19.

##### Exposure to inherent cyclicality in steel industry

The profit margins and sales of the company remains exposed to inherent cyclicality in the steel and industry.

##### Presence in highly competitive and fragmented industry

The company is operating in competitive and fragmented nature of industry.

#### Liquidity:

SKP has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. SKP generated cash accruals of Rs.0.93 to 2.33 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs. 0.58 to 0.80 crore over the same period. SKP's operations are moderately working capital intensive marked by gross current asset (GCA) days of 122 in FY 2018. This has led to reliance on working capital borrowings, the cash credit limit of SKP remains utilized at ~95 percent during the twelve months ended March 2019. The current ratio of SKP stood at 1.41 times as on March 31, 2018.

#### Outlook: Stable

Acuite believes that SKP Steel Industries Private Limited will continue to benefit over the long term from the promoters long standing experience in business. The outlook may be revised to 'Positive' if SKP achieves more than envisaged sales and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	155.56	142.86	104.22
EBITDA	Rs. Cr.	6.69	6.48	3.61
PAT	Rs. Cr.	0.76	0.42	0.35
EBITDA Margin	(%)	4.30	4.53	3.47
PAT Margin	(%)	0.49	0.29	0.34
ROCE	(%)	10.29	11.02	8.86
Total Debt/Tangible Net Worth	Times	1.44	1.46	1.31
PBDIT/Interest	Times	1.72	1.70	1.44
Total Debt/PBDIT	Times	4.80	4.15	5.91

Gross Current Assets (Days)	Days	122	133	147
-----------------------------	------	-----	-----	-----

**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/view-rating-criteria-20.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
12th March '18	Cash Credit	Long Term	21.00	ACUITE BBB-/ Stable (Assigned)
	Term Loans	Long Term	17.04	ACUITE BBB-/ Stable (Assigned)
	Proposed	Long Term	0.21	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BBB-/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	17.04	ACUITE BBB-/ Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BBB-/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3 (Reaffirmed)

**Contacts:**

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Aniruddha Dhar Rating Analyst Tel: 033-66201209 <a href="mailto:aniruddha.dhar@acuiteinratings.in">aniruddha.dhar@acuiteinratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**About Acuite Ratings & Research:**

Acuite Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.