

Press Release

Sanvijay Rolling and Engineering Limited

March 31, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 370.00 Cr.
Long Term Rating	SMERA BBB+ / Stable (Assigned)
Short Term Rating	SMERA A2 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BBB+** (read as SMERA triple B plus) and **short term rating of 'SMERA A2'** (read as SMERA A2) on the Rs. 370.00 crore bank facilities of Sanvijay Rolling and Engineering Limited. The outlook is '**Stable**'.

Sanvijay Rolling and Engineering Limited (SREL) was incorporated by the late Mr. Puranmal Agrawal in 1971 for trading of steel products. The company is based out of Nagpur, Maharashtra. In 1987, SREL started manufacturing of steel and established its first rolling mill in the year 1991. SREL manufactures and sells structural steel angles, channels, broad flange beams, beams/joists flats, squares, rounds, billets and stainless steel. They are also into trading of various steel products. The company has six manufacturing facilities located in Butibori and Hingna (Nagpur). SREL has an installed capacity of 4.8 lakh metric tonnes per annum.

Key rating drivers

Strengths

Established track record of operations and Experienced management

The director of the company, Mr. Sanjay Agrawal has experience of more than two decades in manufacturing of steel products. He is supported by his brother, Mr. Ajay Agrawal who has experience of more than a decade in the aforementioned line of business. The company has an established track record of over three decades in the industry.

SREL backed by its experienced management and established track record of operations has been able to generate healthy relations with reputed clientele comprising KEC International Limited, Larsen and Toubro Limited, Suzlon Energy Limited, Steel Authority of India among others.

Moderate financial risk profile

SREL has moderate financial risk profile marked by tangible net worth of Rs.447.37 crore as on 31 March, 2017 as against Rs.433.50 crore as on 31 March, 2016. The gearing stood at 0.93 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.01 times for FY2017 as

against 1.70 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.84 times for FY2017 as against 1.49 times in FY2016. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.19 times as on 31 March, 2017 as against 1.15 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on 31 March, 2017 as against 0.05 times as on 31 March, 2016. Going forward, SMERA expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

Weaknesses

Inherent cyclical in the steel industry

The company's revenue and profitability are susceptible to the inherent cyclical in the steel industry and volatility in steel prices.

Intense competition

Steel is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

Working capital intensive operations

SREL's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 373 in FY2017 compared to 298 in FY2016. The GCA days are mainly dominated by high inventory days of 125 in FY2017 compared to 100 in FY2016. The debtor days stood at 112 in FY2017 as against 105 in FY2016. The average cash credit utilization for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SREL to arrive at the rating.

Outlook – Stable

SMERA believes the company will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and long track of operation. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue or profitability or any further debt-funded capital expenditure or weakening the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	772.47	932.24	926.20
EBITDA	Rs. Cr.	62.05	40.60	34.77
PAT	Rs. Cr.	14.53	5.30	0.55
EBITDA Margin	(%)	8.03	4.35	3.75
PAT Margin	(%)	1.88	0.57	0.06
ROCE	(%)	6.18	5.75	9.75
Total Debt/Tangible Net Worth	Times	0.93	0.93	1.06
PBDIT/Interest	Times	2.01	1.70	1.39
Total Debt/PBDIT	Times	6.06	6.21	7.64
Gross Current Assets (Days)	Days	373	298	319

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

Not Applicable

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	90.00	SMERA BBB+/ Stable
Cash Credit**	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BBB+/ Stable
Cash Credit***	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA BBB+/ Stable
Cash Credit****	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA BBB+/ Stable
Cash Credit*****	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB+/ Stable
Cash Credit*****	Not Applicable	Not Applicable	Not Applicable	60.00	SMERA BBB+/ Stable
Cash Credit*****	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB+/ Stable

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A2
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A2

*Includes Working capital demand loan of Rs 80.00 crore

** Includes Working capital demand loan of Rs 40.00 crore and Letter of credit of Rs 20.00 crore

*** Includes Working capital demand loan of Rs 33.75 crore

**** Includes Working capital demand loan of Rs 38.40 crore and Letter of credit of Rs 3.00 crore

***** Includes Working capital demand loan of Rs 15.00 crore

***** Includes Working capital demand loan of Rs 60.00 crore

***** Includes Working capital demand loan of Rs 30.00 crore

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ABOUT SMERA

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