

Press Release

Satya Power and Ispat Limited

11 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 22.00 crore bank facilities of Satya Power and Ispat Limited. The outlook is '**Stable**'.

Satya Power and Ispat Limited (SPIL), incorporated in 2003, is a Bilaspur-based company promoted by Mr. Ramavtar Agrawal and Pawan Kumar Agrawal. The company is engaged in the manufacturing of sponge iron and also washing, trading and transportation of coal. SPIL has manufacturing capacity of 60,000 MTPA for sponge iron and 1.44 MTPA for coal washery. The company caters mainly to Punjab, Chhattisgarh, Maharashtra and Uttar Pradesh.

Key rating drivers

Strengths

Established track record of operations and experienced management: The company was incorporated in 2003 to manufacture sponge iron. Subsequently, the company commenced operations in coal washery from 2016. The promoters, Mr. Ramavtar Agrawal and Mr. Pawan Kumar Agrawal possess extensive experience in the iron and steel industry and civil construction.

Comfortable financial risk profile: The financial risk profile is comfortable marked by tangible network of Rs.26.95 crore as on 31 March, 2017 as against Rs.23.95 crore in the previous year. The gearing stood at 0.24 times on 31 March, 2017 as against 0.41 times in the previous year. The total debt of Rs.6.48 crore includes term loan from bank of Rs.0.14 crore and working capital funds of Rs.6.34 crore. The Interest Coverage Ratio (ICR) stood at 3.41 times for FY2017 as against negative 10.28 times in FY2016. The Total Liabilities to Tangible Network (TOL/TNW) stood at 0.47 times as on 31 March, 2017 as against 0.50 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.50 times in FY2017 compared to negative 1.11 times in FY2016. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex.

Comfortable liquidity: The liquidity position of the company is marked by healthy cash accruals of around Rs.3.24 crore in FY2017 against term debt obligation of Rs.0.14 crore in FY2017. Moreover, the cash credit utilisation is 85 percent. This provides further cushion to its liquidity profile. SMERA expects the liquidity position of the company to be maintained at comfortable levels over the medium term.

Weaknesses

Working capital intensive operations: The operations are working capital intensive evident from its Gross Current Asset (GCA) days of 170 in FY2017 and 202 in FY2016. This is mainly on account of high inventory holding period of 101 days in FY2017 and 78 days in FY2016.

Volatility in raw material prices: Prices of major raw material such as iron ore, non-coking coal and dolomite required for manufacturing of sponge iron are volatile in nature which would impact profitability.

Intense market competition: The company is exposed to intense competition in the steel industry from several players which limits its bargaining power.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Satya Power and Ispat Limited to arrive at the rating.

Outlook – Stable

SMERA believes that SIPL's outlook will remain 'Stable' over the medium term on account of the extensive experience of the promoters and established operational track record. The outlook may be revised to 'Positive' in case the company maintains its financial risk profile and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals or deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.18	33.91	35.39
EBITDA	Rs. Cr.	4.53	(11.83)	2.10
PAT	Rs. Cr.	2.18	(12.20)	(0.92)
EBITDA Margin	(%)	10.75	(34.88)	5.94
PAT Margin	(%)	5.16	(35.98)	(2.60)
ROCE	(%)	10.46	(30.87)	3.06
Total Debt/Tangible Net Worth	Times	0.24	0.41	0.50
PBDIT/Interest	Times	3.41	(10.28)	1.04
Total Debt/PBDIT	Times	1.41	-0.86	7.30
Gross Current Assets (Days)	Days	170	202	360

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

CRISIL, vide release dated January 30, 2018 has declared SPIL as non-co-operative on account of lack of adequate information required for monitoring of ratings.

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	10.00	SMERA BB+/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB+/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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