

Press Release

Sesa International Limited (SIL)

24 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 157.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 157.00 crore bank facilities of Sesa International Limited. The outlook is '**Stable**'.

Sesa International Limited was incorporated in 2002 as a Kolkata based company. It is promoted by Mr. Shankar Lal Bagri and Mrs. Uma Bagri of Kolkata and is engaged in trading of steel intermediaries such as rounds, TMT bars, pallets, MS Billets, Angle Channels and flats among others. The company procures its steel intermediaries directly from the dealers of SAIL. The company also procures from different secondary producers in West Bengal.

Key Rating Drivers

Strengths

• Experienced management

The director of the company, Mr Shankar Kumar Bagri has more than 15 of experience in the iron & steel industry. The company is engaged in trading of steel intermediaries such as rounds, TMT bars, pallets, MS Billets, Angle Channels and flats among others since 2002. This long experience has helped the company to establish strong relationship with suppliers as well as with their customers.

• Healthy financial risk profile

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and moderate debt protection measures. SIL has a healthy net worth base of Rs 95.05 crs as on 31st March'2017 as compared to Rs.81.28 crore in FY2016. Networth includes unsecured loan of Rs. 25.00 crores from promoters where the management has provided an undertaking to SMERA that the same would be maintained in the business over the medium term. SMERA has treated the unsecured loans to the tune of Rs. 25 crores as quasi equity. The gearing of the company stood comfortable at 1.10 times in FY2017 as compare to 1.37 times in the previous year. The total debt of Rs 104.16 crs consists mainly of cash credit of Rs. 99.05 crs term loan of Rs.4.83 crore and unsecured loan from promoters of Rs.0.28 crore. The total outside liability against the total debt (TOL/TNW) stands comfortable at 1.63 in FY2017 as compare to 1.74 times in FY2016. The debt protection measures of the company stood moderate with interest coverage of 1.18 times in FY'17 as compared to 1.23 times in FY'16. The NCA/TD levels of the company stood at 0.02 times in FY'17 as against 0.02 times in the previous year.

• Healthy revenue growth

SIL's operating income grew at compounded annual growth rate (CAGR) of 14.65 per cent for the period under study (FY2014-15 to FY2016-17). The revenue of the company stood at Rs.384.20 crore in FY2017 as compared to Rs.254.96 crore in the previous year. The company has booked Rs.256.32 crore in current fiscal till December, 2017 (Provisional).

Weaknesses

• Presence in highly competitive and fragmented industry

The steel products trading industry is a highly fragmented industry and there is large number of organized and unorganized players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganized segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

• Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 190 days in FY2017 as compared to 218 days in FY2016. The inventory days are comfortable at 08 days in FY2017 as compared to 17 days in FY2016. The debtor days stand high at 130 days in FY2017 and 141 days FY2016 respectively.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of SIL.

Outlook: Stable

SMERA believes the outlook on SIL rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of sustenance of revenue growth while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	384.20	290.01	254.96
EBITDA	Rs. Cr.	13.62	9.62	5.66
PAT	Rs. Cr.	2.11	2.04	1.12
EBITDA Margin	(%)	3.54	3.32	2.22
PAT Margin	(%)	0.55	0.70	0.44
ROCE	(%)	10.93	9.52	16.52
Total Debt/Tangible Net Worth	Times	1.10	1.37	0.98
PBDIT/Interest	Times	1.18	1.23	1.21
Total Debt/PBDIT	Times	4.81	6.69	5.90
Gross Current Assets (Days)	Days	190	218	363

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB-/Stable
Packing Credit	Not Applicable	Not Applicable	Not Applicable	10.00*	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	35.00**	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00***	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	17.00****	SMERA A3

* Interchangeability with CC limit for Rs.8.00 crore.

** One-way interchangeable from LC to CC is permitted to the extent of Rs.35.00 crore

*** One-way interchangeable from LC to CC is permitted to the extent of Rs.25.00 crore

**** Interchangeability with PC limit for Rs.17.00 crore.

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ABOUT SMERA

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