

Press Release



Seleno Steels Limited

10 July, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 40.00 crore bank facilities of Seleno Steels Limited (NRTMTIPL). The outlook is "**Stable**"

Incorporated in 2001, Seleno Steels Limited is a Chhattisgarh based company engaged in manufacturing of sponge iron with installed capacity of 45,000 MT per annum. The company was taken over by the NR group in 2017-18 with production commencing from October' 2017.

About the Group: Established in 2008, NR group is promoted by the Chhattisgarh based Agarwal family led by Mr. Rajesh Agarwal and Mr. Sanjay Agarwal. The group is a fully integrated steel player that manufactures sponge iron, MS Billets and TMT bars with an installed capacity of 1,05,000 MTPA, 1,88,000 MTPA and 40,000 MTPA respectively. The company also owns an 8-MW power plant.

Analytical Approach: ACUITE has taken a consolidated view of NR Ispat & Power Private Limited, NR TMT India Private Limited and Seleno Steels Limited as all the 3 entities are in the same line of business, common management and operational and financial linkages (NR TMT India India procures sponge iron from Seleno Steels Limited) and corporate guarantee given by NR Ispat & Power Private Limited to the bank facilities of Seleno Steels Limited.

Key Rating Drivers

Strengths

Experienced management

The NR group is promoted by Agrawal family of Raigarh (Chattisgarh). The promoters in 2008 forayed into iron and steel manufacturing business with commission of a 100 M.T. sponge iron plant at Raigarh. Over the years the Agarwal family has further increased their capacity of sponge iron, billets, rolling mill and in 2014 set up a 8 MW plant.

Integrated Operations

The group is an integrated steel player that manufactures sponge iron, MS Billets and TMT bars with an installed capacity of 1,05,000 MTPA, 1,88,000 MTPA and 40,000 MTPA respectively. The company also owns an 8-MW power plant. The group produces sponge iron which is captively consumed to manufacture billets, which in turn is used to produce TMT bars. In addition the 8-MW captive power plant fulfils its power requirements. The vertical integration in operations lends considerable operational efficiency as reflected from the healthy operating margins of over 10 per cent during the period under review (FY 16-FY 18).

Healthy financial risk profile

The healthy financial risk profile of the group is marked by its healthy net worth, comfortable gearing and debt protection metrics. The net worth of the group stood at healthy levels of Rs 103.80 crore in FY2018 (prov) as against Rs 68.47 crs in FY 2017. Gearing stood comfortable at 0.59 times in FY 18 (prov) as compare to 1.02 times in FY 17.

The interest coverage ratio and DSCR stood moderate at 4.28 times and 1.81 times in FY 2018 (prov). The NCA /TD stood at 0.39 times in FY 2018 (prov) as compare to 0.12 FY 2017.

Prudent Working Capital Cycle

The group has a prudent working capital cycle marked by the Gross Current Asset (GCA) days of 75 in FY 2018 (prov) as against 99 days in FY 2017. The improvement in GCA days is on lower inventory of 28 days in FY 18 (prov) as compare to 54 days in FY 17. The debtor days during the period under review stood between 15-40 days. The lower working capital intensity is further reflected from the low utilization of ~ 60 per cent of its working capital facilities.

Weaknesses

Intense competition and inherent cyclicity in the steel industry

NR group is exposed to intense competition from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. Also, prices of major raw material like iron ore, pellet, dolomite, coal etc. which are required for manufacturing of sponge iron are volatile in nature which would impact the profitability.

Outlook: Stable

ACUITE believes that NR Group will continue to benefit over the medium term from the promoters long experience in iron and steel industry. The outlook may be revised to 'Positive' if NR group achieves more than envisaged sales and profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve growth in revenue and financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	346.13	167.20	167.85
EBITDA	Rs. Cr.	35.86	17.82	15.95
PAT	Rs. Cr.	17.54	4.15	1.83
EBITDA Margin	(%)	10.36	10.66	9.50
PAT Margin	(%)	5.07	2.48	1.09
ROCE	(%)	18.97	9.57	15.80
Total Debt/Tangible Net Worth	Times	0.59	1.02	1.30
PBDIT/Interest	Times	4.28	2.33	1.76
Total Debt/PBDIT	Times	1.69	3.79	5.19
Gross Current Assets (Days)	Days	77	99	122

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

On 08th August'2017- ICRA has migrated to long term rating of Seleno Steels Limited to "[ICRA]B (Stable) ISSUER NOT COOPERATING".

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

NA

*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	15.00	ACUITE BBB- (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- (Assigned)

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About Acuité Ratings & Research:

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