

Press Release

Sky Alloy And Power Private Limited

August 26, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 82.00 Cr. (Enhanced from Rs 32.00 Crore)
Long Term Rating	ACUITE B-/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.82.00 crore bank facilities of SKY ALLOY AND POWER PRIVATE LIMITED (SAPL). The outlook is '**Stable**'.

Incorporated in 2009, SAPL is a Raipur, Chhattisgarh-based company promoted by Mr. Ravi Singhal and Mr. Vinay Kumar Agarwal. The company manufactures sponge iron, MS Billet and ferro alloys. SAPL has an installed capacity of 60,000 MTPA sponge iron, 48,000 MTPA Ingots and 16 MW captive power plant. Further, they have an installed capacity of 19,000 MTPA of silico manganese and 25,000 MTPA of ferro manganese.

Analytical Approach:

Acuité has considered the standalone financial and business risk profile of SAPL.

Key Rating Drivers

Strengths

- Experienced management**

The company is promoted by Mr. Ravi Singhal and Mr. Vinay Kumar Agarwal, among others. Prior to this, the management has been engaged in trading and manufacturing, since 2005. The company benefits from the extensive experience of its promoters and from its favorable location supported by close proximity to raw material and customer base in Raipur.

Weaknesses

- Weak financial risk profile**

SAPPL's financial risk profile is weak marked by declining net worth, high gearing and weak debt protection metrics. The net worth stood at Rs.5.56 crore as on 31 March, 2019 as against Rs.4.37 crore as on 31 March, 2018. The gearing stood at 16.14 times as on 31 March, 2019 compared to 25.55 times as on 31 March, 2018. Acuite believes that though the gearing levels of the company would improve from the current levels over the medium term due to repayment of long-term debt obligations, the gearing would still remain at high levels to meet their working capital requirements. The total debt of Rs.89.90 crore comprises of long term borrowings of Rs.26.60 crore, unsecured loans infused by promoters of Rs.8.85 crore and working capital borrowings of Rs.26.60 crore as on March 31, 2019. The debt protection metrics remained weak with interest coverage ratio at 1.76 times in FY2019 as against 1.21 times in FY2018. The debt service coverage ratio (DSCR) remained weak at 0.76 times as on March 31, 2019 as against 0.54 times in the previous year. Net cash accruals stood at 0.12 times as on March 31, 2019.

- Working capital moderately intensive nature of operations**

KCL's working capital operations are intensive marked by Gross Current Asset (GCA) of 131 days in FY2019 as against 126 days in FY2018. The same is on account of inventory of 106 days and credit extended to customers of 15days in FY2019 .

Liquidity Profile:

SAPPL has weak liquidity marked by insufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.(15.63)-11.00 crore through FY2017-19, while its maturing debt obligations stood in the range of Rs. 19.10-26.20 crore over the same period. The cash credit limit in the company remains fully utilised during the last 6-month period ended May, 2019. The current ratio of the company stood low at 0.54 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain weak over the medium term on account of insufficient cash accrual to meet its repayments over the medium term. However, the promoters are expected to continue to support the company's operations in the medium term.

Outlook: Stable

Acuité believes that SAPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience. The outlook may be revised to 'Positive' in case the company's financial risk profile and liquidity profile improves while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company's financial risk profile or liquidity profile further deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	237.62	205.74	161.50
EBITDA	Rs. Cr.	24.23	13.81	0.22
PAT	Rs. Cr.	1.19	(8.25)	(28.46)
EBITDA Margin	(%)	10.20	6.71	0.14
PAT Margin	(%)	0.50	(4.01)	(17.62)
ROCE	(%)	13.31	6.65	(16.85)
Total Debt/Tangible Net Worth	Times	16.14	25.55	20.38
PBDIT/Interest	Times	1.76	1.21	0.03
Total Debt/PBDIT	Times	3.65	5.58	267.67
Gross Current Assets (Days)	Days	131	126	173

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Crore)	Ratings/Outlook
13-Aug-2018	Cash Credit	Long Term	32.00	ACUITE B-/Stable (Assigned)

***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	34.25 (Enhanced from 32.00 Crore)	ACUITE B-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.75	ACUITE B-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.37	ACUITE B-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.57	ACUITE B-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.04	ACUITE B-/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.62	ACUITE B-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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