

Press Release
Saatvik Ferro Limited

November 20, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 9.00 crore bank facilities of Saatvik Ferro Limited (SEL). The outlook is '**Stable**'.

Saatvik Enterprises Limited was incorporated by Mr. Vikas Kumar Agarwal in 1997. Initially, the company was engaged in trading of steel products. Since 2006, the company started trading ferroalloys. Presently the company caters to both domestic and overseas markets such as France, USA, European nations etc.

In 2008, Saatvik Ferro Limited (SFL) was incorporated, which is also engaged in trading of ferroalloy. SFL is also promoted and managed by Mr Vikas Kumar Agarwal.

Analytical Approach

Acuité has taken the consolidated view of Saatvik Enterprises Limited, Saatvik Ferro Limited and Vamancore Pte Limited (VPL) as all the 3 companies are in the same line of business, share common management and have strong operational and financial linkages (SEL and SFL procure goods from VPL) and SEL holds a stake of around 50 percent in Vamancore Pte Limited (Singapore based subsidiary). The group herein is referred to as Saatvik Group.

Key Rating Drivers

Strengths

Experienced management

Saatvik Group is promoted by Mr Vikas Kumar Agarwal who has more than a decade of experience in ferroalloys trading. The group has a strong customer base which includes reputed medium size steel players such as Shakambhari Ispat and Power Limited (Acuite BBB-/Stable); Shyam Sel & Power Limited; Super Smelters Limited among others. Moreover, the group has a healthy relationship with its customers which help the group to fetch repetitive orders.

Low counterparty and price fluctuation risk

The group has low counterparty risk as a major portion of transactions are LC backed or against advance payment. As the group is engaged in trading of ferroalloys or other commodities, so the group is exposed to price fluctuation risk. The price fluctuation risk is mitigated by the adoption of back to back sales policy. Acuite believes the group will be able to protect its profit margins in the medium term.

Weaknesses

Modest financial risk profile

The financial risk profile is marked by its moderate net worth, comfortable gearing ratio and modest debt protection metrics. The net worth of the group stood at Rs. 79.40 crore in FY20(Provisional) as against Rs 70.81 crore due to retention of profit. The gearing ratio of the group stood at 1.01 times in FY20(Provisional) as against 1.24 times in FY19. The entire debt of Rs 80.23 crore as on 31.03.2020(Provisional) constitutes short term borrowing. Interest coverage of the group stood at 1.79 times in FY20 (Provisional) as against 1.52 times in FY19. The improvement is due to the rise in profitability margin. NCA/TD stood at 0.07 times in FY20 (Provisional). TOL/TNW stood at 2.22 times in FY20(Provisional). Acuite believes the financial risk profile of the group will

remain at a modest level over the medium term because of low profit margin.

Decline in scale of operation

The group had witnessed a decline in the scale of operation as revenue stood at Rs 577.46 crore in FY20(Provisional) as against Rs 635.66 crore in FY19. This decline is because of muted demand for ferroalloys from the steel sector. Acuite believes the scale of operation is expected to be volatile due to high dependence on the steel sector.

Liquidity profile: Adequate

The group has an adequate liquidity profile backed by low working capital utilization ranging from 56 percent to 60 percent during the last 12 months ended September 2020. Net cash accrual stood at Rs.7.13 crore in FY20(Provisional) against no debt repayment obligations. Current ratio stood comfortable at 1.41 times in FY20. GCA days of the group stood at 117 days in FY20 as against 105 days in FY19 due to increase in debtor days. The group had availed Rs 0.10 crores of an additional line of credit under COVID-19 scheme to meet the temporary rise in working capital requirement. Acuite expects the liquidity position of the group will remain at an adequate level in medium term backed by a comfortable net working capital cycle.

Rating sensitivities

- Substantial improvement in the financial risk profile
- Revenue growth and sustained improvement in profit margins

Material covenant

None

Outlook: Stable

Acuite believes that the outlook of the group will remain 'Stable' over the medium term on account of decade long experience of the promoter. The outlook may be revised to 'Positive' if the group registers significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the group witnesses deterioration in liquidity profile due to the rise in working capital requirement.

About the Rated Entity - Key Financials

Consolidated

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	577.46	635.66
PAT	Rs. Cr.	6.95	3.68
PAT Margin	(%)	1.20	0.58
Total Debt/Tangible Net Worth	Times	1.01	1.24
PBDIT/Interest	Times	1.79	1.52

Standalone

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	46.67	54.83
PAT	Rs. Cr.	0.36	0.75
PAT Margin	(%)	0.78	1.37
Total Debt/Tangible Net Worth	Times	0.02	0.19
PBDIT/Interest	Times	1.91	2.25

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Consolidated - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Assigned)
Bill Discounting under for foreign Letter of Credit*	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Assigned)

* Rs 7 crore of inland letter of credit (Sublimit)

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About Acuité Ratings & Research:

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