



Press Release
Sicagen India Limited
November 30, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	16.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	43.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.43.00 Cr bank facilities of Sicagen India Limited (SIL). The outlook is '**Stable**'.

Rationale for upgradation of rating:

The rating upgrade considers stable operating performance, healthy financial risk profile and adequate liquidity position of Sicagen India Limited (SIL). The company has registered revenue of Rs.438.74Cr during FY23 which was diminished marginally from Rs.442.84Cr of previous year on account of lower realization in trading segment. However, SIL has reported growth of ~12 percent in revenue at Rs.229.19Cr in H1FY24 against previous year revenue of Rs.205.33Cr for the same period. This improvement in revenue is on account of better realisations during the year. The EBITDA margins of the company are range bound at 3.4-3.8 percent over the past three year and expected to register margins in the similar range for FY24.

The rating also draws comfort from the healthy financials risk profile and adequate liquidity position of the company. Going forward the company's ability in sustaining the similar growth in revenue while improving the profitability will remain a key monitor able.

About the Company

Incorporated in June 2004, Sicagen India Limited (SIL) is a Chennai-based (Tamilnadu) public limited company (listed on BSE). The directors of the company include Ms. Sashikala Srikanth, Mr. Silaipillayarputhur Ramachandran Ramakrishnan, Mr. Sivathanu Pillai Radhakrishnan, Mr. Mariappa Nadar Rajamani, Mr. Ashwin Muthiah Chidambaram, Mr. Nandakumar Varma, Ms. Rita Chandrasekar, Mr. R Chandrasekar and Mr. Bhimsingh Narendran. SIL operates across diversified business verticals including trading of building materials (majorly steel pipes/tubes, TMT bars & cables), sales & servicing of Power & Control Systems, Industrial Packaging (manufacturing of drums, barrels), boats & specialty chemicals division. SIL is an ISO 9001:2015 Certified Company. SIL is an authorized distributor for Tata Steel BSL Ltd, Jindal Pipes Limited, Tata Steel Limited, Jindal Steel & Power Ltd, Apollo Tubes Ltd, Jindal (India) Limited, Finolex Cables Limited, Bhushan Power & Steel Limited, Maharashtra Seamless Limited.

SIL has manufacturing units for specialty chemicals (in Tuticorin) and drums (in Chennai). SIL has 3 subsidiaries - Wilson Cables Private Limited (WCPL), a Singapore-based manufacturer of cables for industrial and other critical applications; Danish Steel Cluster Private Ltd (DSCPL), a Bengaluru-based company specializing in precision fabrication of stainless steel; and South

India House Estates and Properties Ltd, Chennai, which is engaged in estates and properties.

Unsupported Rating

None

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SIL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record, extensive industry experience of the promoters

SIL is a part of AM International group since 2006, headquartered in Singapore. Mr. Ashwin Muthiah is the founder and chairman of AM International group. AM International group diversified its operations into various sectors like Fertilizers & Supply Chain, Petrochemicals, Infrastructure Services, Medtech and Green Solutions. Its operations are spread across 8 countries in South East, South & West Asia and Europe. SIL is Chennai-based Company and engaged in trading of building material and Power & Control Systems, and also manufacture drums, cables, boat building and specialty chemicals. SIL is a single point of contact for supplying the building materials and it has a network of 15 sales offices cum warehouses across India. Present at multiple locations provides diversification in terms of geography as well as commodities to be handled based on the geographical demand. This shall enable the company to acquire new clients with better rate realisation and ensure steady business. SIL sources materials from different manufacturers and supplies to its customers. Major suppliers include Tata Steel BSL Ltd, Jindal Pipes Limited, Tata Steel Limited, Jindal Steel & Power Ltd, , Apl Apollo Tubes Ltd, Jindal (India) Limited, Finolex Cables Limited, Bhushan Power & Steel Limited, Maharashtra Seamless Limited while its customer base includes contractors, builders and industrial buyers. Acuité believes that the well-experienced directors and professional and experienced management in the building material supply industry, established relations with its stake holder's shall enable its future growth.

Stable and diversified revenue stream with range bound operating margins:

Revenue of the stood at Rs.438.74Cr during FY23 which was marginally declined from Rs.442.84Cr of FY22 on account of low sales realisation during the year. SIL has reported revenue of Rs.229.19Cr till H1FY24 posting a growth rate of ~12 percent on previous year revenue of Rs.205.33Cr for the same period. This growth in current year is attributable to improved realisations in trading segment. SIL has a diversified stream of revenue with trading goods contributing around 84-86%, manufacturing goods contributing around 11-14 % and 2-3 % from services and other operating revenues to the total income in FY23 and FY22. Diversity in trading & manufacturing aids the company in reducing the concentration risks as well cyclicalities associated with a particular commodity or industry to an extent.

The company's EBITDA margins are range bound at 3.4-3.8 percent over the past three years. During FY23 the company's EBITDA margin has been marginally declined to 3.41 percent from 3.84 percent of previous year on account of low realisation rates. However, EBITDA margin is expected to improve slightly in FY24 on account of improved realisations during the H1FY24. PAT margin of the company has significantly improved during FY23 to 3.90 percent against 0.23 percent of previous year's. The improvement is due to earlier advances writtenoff during the year.

Healthy financial risk profile

SIL financial profile is healthy as marked by healthy capital structure, comfortable coverage indicators and healthy liquidity. The networth is healthy at around Rs 414.27 Cr as on March 31, 2023 as against Rs.406.20 Cr as on March 31, 2022, backed by steady accretion to reserves. The capital structure remains healthy with gearing of 0.11 times and Total outside Liabilities to

Tangible Net Worth (TOL/ TNW) below 0.20 times for past three years through as on March 31, 2023 due to limited capex requirements and resulting in low external borrowings. The company's coverage indicators are comfortable indicated by interest coverage ratio (ICR) 6.85 times and Net Cash Accruals (NCA)/Total Debt (TD) stood at 0.49 times for FY23 vis-à-vis 0.23 times in FY2022. Debt service coverage ratio stood at 6.24 times during FY23 against 2.88 times of previous year.

Acuité believes that financial risk profile will remain healthy over the medium term, supported by healthy accrual, nil long-term debt, and adequate liquidity with no significant debt-funded capital expenditure plans in near future.

Weaknesses

Moderate intensive working capital operations

The company's working capital is moderately intensive in nature as reflected by its Gross Current Asset (GCA) days of around 150-160 days during last 3 years ended with as on March 31, 2023. SIL offers credit period of around 45 -60 days to its customers during. Its inventory days stood at 42-57 days during last 3 years ended March 31, 2023. All its purchases are against payment only leading to moderate utilisation of its working capital limits at about 44 per cent for last 12 months ending October 2023. Acuité believes that with competitive and trading nature of operations, the company needs to maintain inventory while offering credit keeps the operations working capital.

Thin profit margins and intense competition in a fragmented and commoditised market

SIL's OPM remains modest due to limited value addition and the intensely competitive nature of the business. Despite the expected improvement in FY24 due to inventory gains, the operating margin is expected to remain in the range of 3-5% in the near-to-medium term. The Company's operations are trading of Building Materials such as Steel Pipes, Steel, PVC Pipes, Cables, Power & Control Equipment, Spares and others. As the market is highly fragmented and commoditised, it faces price-based competition that keeps the operating profitability under check.

Rating Sensitivities

- Healthy growth in operating income and improvement in profit margins on a sustained basis
- Stretched working capital cycle or any large, debt-funded capex weakening the financial risk profile and liquidity

Liquidity : Adequate

SIL's liquidity is adequate liquidity marked by adequate net cash accruals to its maturing debt obligations and efficient bank utilisation. The company generated cash accruals of Rs.23.31 Cr during FY23 against the nil debt repayment obligation. The cash accruals are estimated to remain around Rs.17 Cr to 20 Cr during 2024-26 with miniscule debt repayment obligations for the same period. SIL's operations are working capital intensive with GCA of about 158 days in FY23; comfortable cash accruals led to lower reliance on working capital borrowings at 44 per cent during the last 12 months period ended October, 2023. SIL has unencumbered cash and bank balances of Rs.0.28 Cr as on, September 2023. The current ratio stood comfortable at 3.18 times as on March 31, 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its miniscule repayment obligations and its internal accruals and liquid surplus to be sufficient to meet its incremental working capital requirements.

Outlook: Stable

Acuité believes that SIL will continue to benefit over the medium term from its established market position in key business segments, its diversified revenue profile, and healthy financial

risk profile. The outlook may be revised to 'Positive' if the company achieves significant improvement its revenues and operating profitability and sustained improvement in its cash accruals while maintaining its healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if SIL's revenue or profitability declines further; lower-than-expected revenue or operating profitability or incremental investment in group entities, or substantial, debt-funded capex weakens financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	438.74	442.84
PAT	Rs. Cr.	17.12	1.01
PAT Margin	(%)	3.90	0.23
Total Debt/Tangible Net Worth	Times	0.11	0.08
PBDIT/Interest	Times	6.85	3.88

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Sep 2022	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	7.00	ACUITE BBB- (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A3 (Reaffirmed)
23 Jun 2021	Bank Guarantee	Short Term	8.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	18.50	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3+ Upgraded
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+ Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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