



Press Release
SICAGEN INDIA LIMITED
February 21, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	20.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	23.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Ba**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs.43 Cr. bank facilities of Sicagen India Limited (SIL). The outlook is '**Stable**'.

Acuite also has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**) on Rs.5 Cr. additional bank facilities of Sicagen India Limited (SIL). The outlook is '**Stable**'.

Rationale for rating reaffirmed and assigned:

The rating reaffirmation takes into account established track record and extensive experience of the promoters, diversified revenue profile of SIL and improved operating performance in 9MFY2025 as compared to 9MFY2024. SIL reported a 11.75 percent year-on-year revenue growth in 9MFY2025, primarily driven by increased orders in building material segment and better realizations in the manufacturing and service segments further resulting in improved operating profit margins. The rating also factors in the expectation of sustained growth over the medium term and comfort derived from the healthy financial risk profile of SIL. However, the rating is constrained by moderately intensive nature of working capital operations, thin profit margins and exposure to intense competition in a fragmented and commoditised market. Going forward, the company's ability to maintain similar growth in revenue and profitability will remain a key monitorable.

About the Company

Incorporated in June 2004, Sicagen India Limited (SIL) is a Chennai-based (Tamil Nadu) public limited company (listed on BSE). The directors of the company include Mr. Sivathanu Pillai Radhakrishnan, Mr. Ashwin Muthiah Chidambaram, Mr. Nandakumar Varma, Ms. Rita Chandrasekar, Mr. R Chandrasekar, Ms. Devaki Ashwin Muthiah, Mr. Batchu Sai Purshotham and Mr. GD Sharma. 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 2 subsidiaries - Wilson Cables Private Limited (WCPL), a Singapore-based manufacturer of cables for industrial and other critical applications; and South India House Estates and Properties Ltd, Chennai, which is engaged in estates and properties.

Unsupported Rating

Not Applicable

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 has been a part of AM International group since 2006 and is headquartered in Chennai, India. AM International Group, founded and chaired by Mr. Ashwin Muthiah is a Singapore-based conglomerate with diversified operations across multiple sectors, including Fertilizers & Supply Chain, Petrochemicals, Infrastructure Services, Medtech and Green Solutions. The group operates across eight countries in South East Asia, South Asia, West Asia and Europe. SIL is engaged in trading of building material and Power & Control Systems, and also manufactures drums, cables, boat building and specialty chemicals. SIL is a single point of contact for supplying the building materials and has a network of 15 sales offices cum warehouses across India. Its widespread presence allows for geographical and product diversification, enabling SIL to cater to regional demand fluctuations, expand its client base, improve price realization and ensure steady business growth. SIL sources materials from various manufacturers including 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. 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.

Improvement in revenue and profitability:

SIL's recorded a revenue growth of 8.71 percent in FY2024, registering Rs.476.96 Cr. compared to Rs.438.74 Cr. in FY2023. The growth in revenue was primarily driven by improved realizations in trading segment, particularly in building materials. The operating profit margin improved marginally to 3.61 percent in FY2024 from 3.41 percent in FY2023. However, the PAT margin declined to 1.88 percent in FY2024, from an exceptional high 3.90 percent in FY2023, which was due to the reversal of advances written off. In 9MFY2025, SIL reported revenue of Rs.402.94 Cr. posting a growth rate of 11.7 percent, compared to Rs.306.65 Cr. in 9MFY2024. This revenue growth is attributed to increase in orders for building materials in trading segment. Additionally, the operating profit margin improved to 4.34 percent in 9MFY2025 from 3.45 percent in 9MFY2024, owing to improved realizations. Acuité believes, SIL's revenue will continue to improve steadily on account of increasing orders with operating profit margins expected to remain within the range of 3.5-4.5 percent.

Healthy financial risk profile:

SIL's financial risk profile remains healthy marked by healthy network, below unity gearing and healthy debt protection metrics. The network of the company stood at Rs.430.60 Cr. as on March 31, 2024 compared to Rs.414.27 Cr. The improvement in network is due to increase in other comprehensive income reserve coupled with the accretion of profits to the reserves. The overall debt levels, which solely consist of working capital debt, declined to Rs.41.90 Cr. as on March 31, 2024 from Rs.47.62 Cr. as on March 31, 2023. The gearing levels remained low at 0.10 times. Further, the total outside liabilities to tangible network (TOL/TNW) also remained low at 0.18 times as on March 31, 2024 against 0.17 times as on March 31, 2023. The company's gearing is expected to remain low over the medium term on account of absence of any debt funded capex plans. The debt protection metrics stood healthy with DSCR and ICR of 3.56 times and 4.17 times respectively as on March 31, 2024 compared to 6.24 times and 6.85 times respectively as on March 31, 2023. Debt to EBITDA has deteriorated marginally, yet remained healthy at 1.84 times as on March 31, 2024 against 1.56 times as on March 31, 2023. Acuité believes that the financial risk profile of the company will remain healthy over the medium term, supported by healthy accruals, nil long-term debt and adequate liquidity with no significant debt-funded capex plans in near future.

Weaknesses

Moderately intensive nature of working capital operations:

The company's working capital is moderately intensive in nature as reflected in its Gross Current Asset (GCA) days of around 147 days in FY2024. SIL offers credit period of around 45 -60 days to its customers while making upfront payments to most of its suppliers through its fund based working capital facilities, resulting in creditor days of less than 10 days'. The company's inventory days stood at 51 days in FY2024 against 57 days in FY2023. The company's utilisation of working capital limits is moderate at about 36 per cent for last 6 months ending

January, 2025. Acuité believes that given the competitive and trading nature of its operations, the company needs to maintain inventory while offering credit resulting in moderately intensive working capital requirement.

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

SIL's operating profit margin remains modest due to limited value addition and the intensely competitive nature of the business. Despite an expected improvement in FY2025 due to inventory gains, the operating margin is expected to remain in the range of 4-5% in the near-to-medium term. The company is engaged in 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, SIL faces price-based competition which continues to constraint its operating profitability.

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.
- Any further increased investments to the subsidiary companies, deteriorating the SIL's liquidity.

Liquidity position: Adequate

SIL's liquidity is adequate liquidity marked by sufficient net cash accruals and efficient bank utilisation. The company generated cash accruals of Rs.13.97 Cr. during FY2024 against the nil debt repayment obligation. The cash accruals are estimated to remain around Rs.17 Cr. to 20 Cr. during 2025-27 with nominal debt repayment obligations for the same period. SIL's operations are working capital intensive, with GCA of about 147 days in FY2024. Further, the reliance on working capital limits stood low at 36 per cent during the last 6 months' period ended December, 2025. SIL had unencumbered cash and bank balances of Rs.0.46 Cr. as on, March 31, 2024 and further had Rs.39 Cr. under deposits maturing in less than 12 months, providing additional liquidity comfort. The current ratio stood comfortable at 3.29 times as on March 31, 2024.

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 nominal repayment obligations, and buffer available from the unutilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	476.96	438.74
PAT	Rs. Cr.	8.96	17.12
PAT Margin	(%)	1.88	3.90
Total Debt/Tangible Net Worth	Times	0.10	0.11
PBDIT/Interest	Times	4.17	6.85

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
30 Nov 2023	Bills Discounting	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
02 Sep 2022	Bills Discounting	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB Stable Reaffirmed

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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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