

## Press Release

### Sky Alloy And Power Private Limited

August 13, 2019

### Rating Assigned



|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 32.00 Cr.              |
| <b>Long Term Rating</b>             | ACUITE B-/ Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of 'ACUITE B-' (read as ACUITE B minus) to the Rs.32.00 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 their 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(P) as against Rs.4.37 crore as on 31 March, 2018. The gearing stood at 16.14 times as on 31 March, 2019(P) 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(P). The debt protection metrics remained weak with interest coverage ratio at 1.76 times in FY2019 (P) as against 1.21 times in FY2018. The debt service coverage ratio (DSCR) remained weak at 0.76 times as on March 31, 2019(P) as against 0.54 times in the previous year. Net cash accruals stood at 0.12 times as on March 31, 2019(P).

- **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(P) 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 (P).

### 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 stands low at 0.54 times as on March 31, 2019(P). 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 the 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)

Not Applicable

#### \*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 | 32.00                       | ACUITE B-/ Stable |

## Contacts

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### About Acuité Ratings & Research:

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