

Rating Rationale

Sanvijay Rolling and Engineering Limited

17th July 2017

Brickwork Ratings assigns 'BWR BBB+ (Outlook: Positive) / A3+' ratings for the Bank Loan Facilities of Rs. 370.00 Cr of Sanvijay Rolling and Engineering Limited

Particulars

| Facility Rated | Amount (Rs. Crs) | Tenure | Rating* |
|-----------------------|---------------------|--|---|
| Fund Based | | | |
| Cash Credit | 350.00 | Long Term | BWR BBB+ (Pronounced BWR Triple B Plus) [Outlook: Positive] |
| Non Fund Based | | | |
| Letter of Credit | 20.00 | Short Term | BWR A3+ (Pronounced BWR A Three Plus) |
| Total | 370.00 | Rupees Three Hundred Seventy Crores Only. | |

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited financials upto FY16, Provisional FY17 and Projected Financials of Sanvijay Rolling and Engineering Limited upto FY18, publicly available information and information / clarification provided by the Company's management.

The rating, inter alia, draws strength from the experienced promoters with established track record in the industry with the ability to infuse capital, reputed customer base, strategic location advantage of manufacturing facilities with close proximity to raw material source, wide range of product offerings required for transmission tower, improvement in operating margins and coverage ratios, limited term liabilities and strong capital structure. However, the rating is constrained by the fact that the profitability is highly susceptible to volatility in raw material prices, highly fragmented industry with intense competitive market, end-user sector concentration risk (power transmission) and working capital intensive nature of business.

Going forward, the ability of the Company to further improve the revenues and profitability, diversify its customer base, and effectively manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

Positive outlook reflects strong growth in operations and profitability, further growth is expected as envisaged and company ability to achieve the same as per track record. The rating outlook may be revised to Stable in case the revenues and profit do not show sustained improvement as envisaged. The rating outlook may be revised to 'Negative' if the revenues and profitability go down substantially impacting overall debt protection metrics.

About the Company

SREL was promoted during 1987 and is a part of the Nagpur-based 'Sanvijay' group. The company is closely held by the Agrawal family. SREL ventured into steel rolling during year 1993 and changed its constitution to a public limited company during year 2000. SREL is currently engaged in rolling and sale of structural steel (used primarily in the power transmission industry) angles, channels, broad flange beams, beams and joists (of various sizes), flats, squares, rounds, billets and stainless steel and trading of various steel products.

The company operates out of its six manufacturing facilities located in industrial areas of Butibori (two facilities) and Hingna (Four facilities), Nagpur with a total installed production capacity of 4.8 lakh metric tonnes per annum (MTPA), along with a steel melting shop equipped with infrastructure for special steels and stainless steel. The company supplies to the Transmission Line Tower (TLT) industry along with supplier to major communication and microwave tower manufacturers in India. The company also supplies various grades of steel for infrastructure projects and housing sectors.

Company Financial Performance

The Company's Net Sales decreased to Rs. 876.00 Cr against Net sales of Rs. 904.65 Cr in FY15. The Company reported a PAT of Rs. 5.30 Cr in FY16 against a PAT of Rs. 0.55 Cr in FY15. On a Provisional basis, as on FY17 the company has reported a Net Sales of Rs. 804.52 Cr.

Rating History for the last three years: (including withdrawn/suspended ratings)

| Sl. No. | Instrument/Facility | Current Rating (Year 2017) | | | Rating History | | |
|---------|---------------------|----------------------------|-------------------|--|----------------|------|------|
| | | Type | Amount (Rs in Cr) | Rating | 2016 | 2015 | 2014 |
| 1 | Cash Credit | Long Term | 350.00 | BWR BBB+ (BWR Triple B Plus) [Outlook: Positive] | NA | NA | NA |
| 2 | Letter of Credit | Short Term | 2.00 | BWR A3+ (BWR A Three Plus) | | | |

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

CARE BBB-/A3; ISSUER NOT COOPERATING dated April 26, 2017

Reason provided by CARE

CARE has been seeking information from Sanvijay Rolling & Engineering Limited (SREL) to monitor the rating(s) vide email communications/letters dated February 23, 2017, February 27, 2017 and March 14, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, SREL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SREL's bank facilities will now be denoted as CARE BBB-/CARE A3; ISSUER NOT COOPERATING.

Any other information- NA

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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