

01 April, 2014

CARE REVISES/REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SANGHVI FORGING & ENGINEERING LTD

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term Bank Facilities	134.89 (enhanced by Rs.16.32 crore)	CARE BB- (Double B Minus)	Revised from CARE BB (Double B)
Long-term/Short-term Bank Facilities	32.00	CARE BB- / CARE A4 (Double B Minus / A Four)	Revised from CARE BB/ CARE A4 (Double B/ A Four)
Short-term Bank Facilities	1.05	CARE A4 (A Four)	Reaffirmed
Total Facilities	167.94		

Rating Rationale

The revision in the ratings of the bank facilities of Sanghvi Forging & Engineering Ltd (SFEL) is on account of losses incurred during 9MFY14 (refers to the period April 1 to December 31) which coupled with cost overrun in its large-size debt funded expansion project has led to stretch in its liquidity and deterioration in its leverage.

The ratings further continue to be constrained by the stabilization and saleability risk associated with the newly commissioned expansion project in the prevailing subdued economic environment and susceptibility of its profitability to volatile raw material prices.

The ratings, however, continue to derive strength from the vast experience of the promoters of SFEL in industrial forging business along with its established trade relationship with reputed clientele.

SFEL's ability to quickly stabilize the operations of its expansion project and realize the envisaged benefits thereof, manage raw material price volatility and thereby improve profitability, efficiently manage its working capital requirement along with improvement in its capital structure would be the key rating sensitivities.

Background

Vadodara-based (Gujarat) SFEL, incorporated in 1989, is promoted by Mr Babulal Sanghvi. SFEL is engaged in the manufacturing of forged flanges & heavy forgings used in industrial forging and precision machined components used in the non-automotive sectors such as oil and gas, petrochemicals, chemicals, fertilizers, process equipments, desalination & water treatment, ship building, defense, instrumentation, etc. The company manufactures both standardized as well as customized products. SFEL had an installed forging capacity of 18,600 Metric Tonne Per Annum (MTPA) as on March 31, 2013 with capability to handle a single job of up to 40 MT. SFEL caters to the domestic as well as overseas markets, mostly in Europe, Middle East, Canada and USA.

SFEL earned a PAT of Rs.1.37 crore on a total operating income (TOI) of Rs 46.05 crore in FY13 (refers to the period April 1 to March 31) as against a PAT of Rs.4.76 crore on a TOI of Rs.51.38 crore in FY12. As per provisional results for 9MFY14, SFEL has reported a net loss of Rs.7.10 crore on a TOI of Rs.34.92 crore.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Analyst Contact

Name: Kalpesh Patel

Tel: 079-40265611

Mob: +91 99090 26322

Email: kalpesh.patel@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.