

OCTOBER 30, 2014

CARE ASSIGNS 'IN-PRINCIPLE CAREA1+ (SO)' RATING TO THE PROPOSED CP ISSUE OF SURYA ROSHINI LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Commercial Paper Issue	50	In-Principle [#] CARE A1+ (SO) [A One Plus (Structured Obligation)]	Assigned
Total Facilities	50		

[#] The above rating is 'in-principle' and will be confirmed after the documents are executed in accordance with the proposed structure/guarantee and the relevant documents are received by CARE.

Rating Rationale

The rating assigned to the proposed commercial paper issue is based on unconditional and irrevocable guarantee to be provided by consortium lenders (SBI, PNB, IDBI, Canara Bank, SBOP and SBT) against earmarking fund-based/ non-fund based limits of Surya Roshini Ltd.

The rating continues to draw support from the experienced promoters, consistent track record of profitable operations of the company, established brand name with a well-developed nation-wide marketing network and diversified product profile of the company. The rating also factors in the fully backward integrated operations in the lighting division and the moderate gearing levels.

These rating strengths, however, are partially offset by moderation in growth and profitability in FY14 (refers to the period April 01 to March 31), its working capital-intensive nature of business operations, exposure to the group company in the form of investments and corporate guarantees and cyclicity inherent in the steel business.

Going forward, the ability of SRL to improve the profitability, prudently maintain its capital structure and effectively manage the working capital requirements would remain the key rating sensitivities.

Background

Surya Roshni Ltd (SRL), promoted by Mr JP Agarwal, was incorporated in 1973 as a manufacturer of Electric Resistance Welded (ERW) pipes, sold under the brand name of 'Prakash-Surya'. In 1985, SRL diversified into lighting products with the manufacturing of General Lighting Systems (GLS) and Fluorescent Tube Lamps (FTL) sold under the brand name 'Surya'. It started the production of Compact Fluorescent Lamps (CFLs) in 2007. SRL has two business divisions – steel division and lighting division. The manufacturing facilities for ERW pipes and CR sheets are located at Bahadurgarh (Haryana) and Malanpur (MP). The manufacturing unit for CFL, GLS and FTL is situated in Kashipur (Uttarakhand) and Malanpur (MP) the high mast unit is located at Malanpur (MP). The company is also engaged in the manufacturing of Poly Vinyl Chloride (PVC) pipes at its manufacturing facility at Kashipur. The company had an installed capacity of 66 million per annum CFLs and 192 million per annum GLS as on March 31, 2014. In the steel division, SRL has an installed capacity of 410,000 MT for varied sizes of pipes and 115,000 MT for CR strips and sheets. The company also entered the fans segment in FY14.

In FY14, the company achieved a total operating income of Rs.3,034 crore and PAT of Rs.53 crore as against a total operating income of Rs.2,961 crore and PAT of Rs.69 crore in FY13. During the quarter ended June 30, 2014, the company reported a total operating income of Rs.672 crore and net profit of Rs.11 crore.

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

For the detailed rationale kindly refer our website www.careratings.com

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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.

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CIN - L67190MH1993PLC071691