

APRIL 19, 2016

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
SURYA ROSHNI LIMITED
AND WITHDRAWS THE RATING ASSIGNED TO PROPOSED COMMERCIAL PAPER**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	919.31 (reduced from 938.5)	CARE A- (Single A Minus)	Reaffirmed
Long/Short-term Bank Facilities	620 (enhanced from 520)	CARE A-/CARE A2+ (Single A Minus / A Two Plus)	Reaffirmed
Total Bank Facilities	1,539.31 (Rupees One Thousand Five Hundred Thirty Nine crore and Thirty One lakh only)		
Commercial Paper (proposed)	-	-	Withdrawn*

* Ratings have been withdrawn since no funds were raised under the proposed issue.

Rating Rationale

The ratings for the bank facilities of Surya Roshni Ltd (SRL) continue to derive strength from the experienced promoters, consistent track record of profitable operations of the company, established brand name with a well-developed nationwide marketing network and diversified product profile of the company. The ratings also factor in the fully backward integrated operations in the lighting division and exposure to the group company limited to equity investment alone with debt guaranteed by SRL, fully repaid.

These rating strengths, however, are partially offset by modest operational performance in FY15 (refers to the period April 01 to March 31) and 9MFY16 (refers to the period April 01 to December 31), its working capital-intensive nature of business operations and exposure to raw material price volatility in the steel business. The ratings also take cognizance of the debt prepayments made by the company during 9MFY16 and improved liquidity on account of elongated debt repayment schedule on new loans; nonetheless, given the proposed capex, the gearing continues to remain at moderate levels.

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

Background

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), while the high mast unit is located at Malanpur (MP). The company is also engaged in the manufacturing of Poly

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

Vinyl Chloride (PVC) pipes at its manufacturing facility at Kashipur. The company had an installed capacity of 66 million per annum CFLs, 192 million per annum GLS and 10 million per annum Light Emitting Diodes (LED) as on March 31, 2015. In the steel division, SRL has an installed capacity of 345,000 MT for varied sizes of pipes and 115,000 MT for CR strips and sheets. The company also entered the fans segment in FY14 and home appliances segment in FY15.

In FY15, the company achieved a total operating income of Rs.2,861 crore and PAT of Rs.54 crore as against a total operating income of Rs.3,034 crore and PAT of Rs.53 crore in FY14. During 9MFY16, the company reported a total operating income of Rs.2224 crore and net profit of Rs.41 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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