

Sicagen India Limited

October 13, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term/ Short Term Bank Facilities	–	–	Reaffirmed at CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus) and Withdrawn
Short Term Bank Facilities	–	–	Reaffirmed CARE A4+ (A Four Plus) and Withdrawn
Total	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4+' [Double B Plus; Outlook: Stable/A Four Plus] assigned to the bank facilities of **Sicagen India Limited (SIL)** with immediate effect. The above action has been taken at the request of **SIL**. and 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating weaknesses

Low profitability margins leading to moderate debt coverage metrics

During FY21, SIL's total income on consolidated basis stood at Rs.545.3 crore as against Rs.700.7 crore in FY20, majorly due to fluctuation in steel prices during the year and COVID-19 impact especially during Q1FY21. PBILDT margin though witnessed improvement on y-o-y basis, it stood low at 2.28% in FY21 (PY: 1.88%), though continuing to remain thin. For FY21, company reported net loss of Rs.3.2 crore (PY: PAT of Rs.0.4 crore). Due to low cash accruals, the company's debt coverage metrics remain moderate. For FY21, PBILDT/Interest stood at 2.28x (PY: 1.50x) for FY21.

Working capital intensive nature of operations

The nature of the business undertaken by SIL is working capital intensive given that majority of business being trading. In building materials division, the company offers credit period of 60-90 days to its customers, while it receives credit period of around 30-45 days from the suppliers. On the consolidated basis, working capital cycle remains stretched at 154 days as on March 31, 2021 (PY: 102 days) due to high credit period provided to the customers to support sales.

Susceptibility of margins to volatility in price of traded products

Nearly 50% of the SIL's income is derived from trading of steel pipes and other steel products. The steel industry is cyclical in nature with correlation to economic cycle; hence earnings remain susceptible to fluctuations in steel prices. The company procures steel products from the suppliers based on expected demand and are not completely backed by orders. Therefore, the company has to absorb any fluctuations in traded goods' prices that might occur from the time of material procurement until dispatch to customers.

Competition from unorganized players

The presence of many unorganized players and the fragmented nature of the building materials industry pose a challenge to SIL. With respect to building materials division, SIL has long-standing relationship with majority of its suppliers and has strong network of 14 sales offices cum warehouses across India. SIL sources materials from different manufacturers and supplies to its customers. Major suppliers include TATA, JSW, Jindal and Steel Authority of India in Steel & pipes; Finolex in cables; Jain, Astral and Ajay in PVC; Dalmia and Penna in cement, while its customer base includes contractors, builders and industrial buyers. Despite that due to low entry barriers, the industry remains highly competitive, resulting in intense price competition. SIL's other major business divisions – manufacturing of cables, drums and specialty chemicals, are also exposed to competition from other market players and unorganized players.

Key Rating strengths

Diversified revenue stream

SIL, on a consolidated basis has a diversified stream of revenue with trading goods contributing around 68% (PY:65%) and manufacturing goods contributing around 31% (PY: 34%) to the net sales of products for FY21.

SIL operates in a diversified operating segment such as trading of Building materials, Sales and Servicing Power & controls systems, manufacturing of MS barrels and manufacture of water treatment chemicals. The subsidiary Companies are into manufacture of Cables, precision steel fabrication and property development.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Comfortable capital structure

The capital structure of the company remains comfortable with Net worth of Rs.394 crore (as on March 31, 2021) and low leverage levels. As on March 31, 2021, overall gearing stood at 0.20x (PY: 0.26x). Without including lease liabilities, adjusted overall gearing stood at 0.16x as on March 31, 2021 (PY: 0.21x).

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations. On a standalone basis, free cash & bank balance of SIL stood at Rs.22.15 crore as on March 31, 2021.

Analytical approach: Consolidated.

Consolidated financials of Sicagen India Limited (SIL) along with its subsidiaries (as given in Annexure) Wilson Cables Private Limited (WCPL), Danish Steel Cluster Private Limited (DSCPL) and South India House Estates and Properties Limited. For FY21, SIL contributed 64%, WCPL 35% and DSCPL 1%, to the consolidated revenue of SIL.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[CARE's Rating Methodology - Wholesale Trading](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Short Term Instruments](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

Sicagen India Limited (SIL) is a public limited company (listed on NSE and BSE), incorporated in June 2004. SIL was de-merged from Sical Logistics Limited with effect from October 1, 2006. SIL is part of AM International group, Singapore (MA Chidambaram group). SIL operates across diversified businesses including trading of building materials (majorly steel pipes/tubes, TMT bars & cables), sales & servicing of governor instruments and manufacturing of drums, barrels, boats & specialty chemicals. SIL has manufacturing units for specialty chemicals (in Pondicherry) and drums (in Chennai).

SIL has 3 wholly owned subsidiaries - Wilson Cables Private Limited (WCPL), a Singapore-based manufacturer of cables for industrial and other critical applications; Danish Steel Cluster Private Ltd (DSCPL), a Bengaluru-based company specializing in precision fabrication of stainless steel; and South India House Estates and Properties Ltd, which maintains land assets.

Brief Financials (Rs. crore)- Consolidated	FY20 (A)	FY21 (A)
Total operating income	701	545
PBILDT	13.2	12.4
PAT	0.4	(3.2)
Overall gearing (times)	0.26	0.20
Interest coverage (times)	1.50	2.28

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	0.00	Withdrawn
Fund-based - ST-Working Capital Limits	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	-	-	-	1)CARE BB+; Stable / CARE A4+ (13-Aug-20)	1)CARE BB+; Stable / CARE A4+ (13-Jun-19)	-
2	Fund-based - ST-Working Capital Limits	ST	-	-	-	1)CARE A4+ (13-Aug-20)	1)CARE A4+ (13-Jun-19)	-
3	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	-	-	-	1)CARE BB+; Stable / CARE A4+ (13-Aug-20)	1)CARE BB+; Stable / CARE A4+ (13-Jun-19)	-

- Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based - ST-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Annexure-5: List of subsidiaries of SIL getting consolidated

Sr.No	Name of the Entity	Subsidiary / Joint Venture / Associate	% Shareholding by SIL as on March 31, 2021
1	Wilson Cables Private Limited	Subsidiary	100%
2	Danish Steel Cluster Private Limited	Subsidiary	100%
3	South India House Estates and Properties Limited	Subsidiary	100%
4	Wilson Far East Private Ltd	Step-down Subsidiary	100%

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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