

JANUARY 15, 2015

CARE REAFFIRMS/ASSIGNS 'CARE A4' RATING TO BANK FACILITIES OF SAB INDUSTRIES LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	11.5 (enhanced from 7)	CARE BB [Double B]	Reaffirmed
Short-Term Bank Facilities	15	CARE A4 [A Four]	Assigned
Total Facilities	26.5		

Rating Rationale

The ratings continue to be constraint by SIL's small scale of operations, its inadequate experience of executing large sized projects which limit the company's ability to bid for large contracts, concentration over a single client, and competition from the organized & unorganized players in the industry.

The ratings, however, derive strength from the SIL's long track record of operations, experienced management team, moderate order book position and comfortable capital structure. The company's ability to receive steady flow of orders & timely execution of the same while maintaining its capital structure shall remain the key rating sensitivities. Timely receipt of contract proceeds and effective working capital management shall also be the key rating sensitivities.

Background

Incorporated in the year 1978 as SA Builders Ltd (SABL), the name of the company was subsequently changed to SAB Industries Ltd (SIL) in the year 1983. The company belongs to the Steel Strips group of companies which is engaged in the manufacturing of automobile wheels, acrylic fiber and civil construction. SIL is primarily engaged in the field of civil construction for multi-storeyed housing colonies, hospitals, industrial buildings, flyovers, shopping malls, thermal power plants, hydel power & infrastructure projects, etc, on a turnkey basis. The company has executed various projects for PWD (Public Works department), Indian Railways, DRDO (Defense Research and Development Organization), GAIL (Gas Authority of India Ltd), BHEL (Bharat Heavy Electricals Limited), IFFCO (Indian Farmers Fertiliser Cooperative), ESSAR group, MCD (Municipal Corporation Delhi), IGI Airport, New Delhi, among others in the past. SIL was also developing a multi-storied residential housing project, on a 6.7 Acres of land, by the name "Steel Strips Tower", Derabassi, on the Chandigarh-Ambala Highway. The construction on the same has been put on hold since the year 2011 due to the subdued industry scenario.

In FY14 (refers to the period April 1 to March 31), SIL reported a PAT of Rs.0.4 crore on the total income of Rs.12.3 crore as against a PAT of Rs.16.9 crore on a total operating income of Rs.17.3 crore in FY13.

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

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

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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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