

JULY 18, 2016

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF SAB INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	11.50	CARE BB+ (Double B Plus)	Revised from CARE BB [Double B]
Short term Bank Facilities	15.00	CARE A4+ (A Four Plus)	Revised from CARE A4 [A Four]
Total Facilities	26.50 (Rupees Twenty Six crore and Fifty lakh only)		

Rating Rationale

The revision in the ratings of SAB Industries Limited (SAB) takes into account improvement in the overall financial risk profile in FY16 (Audited; refers to the period April 01 to March 31) with increasing income and improvement in the profitability margins and solvency position. The ratings continue to derive strength from SAB's long track record of operations and experienced management team. The ratings are, however, constrained by SAB's modest scale of operations, limited present capability of the company to bid for larger projects, concentrated revenue stream and competition from organized and unorganized players.

The ability of the company 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 (SAB) 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. SAB is primarily engaged in the field of civil construction for multistoreyed 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 FY16 (refers to the period April 01 to March 31), SAB reported a total operating income of Rs.28.27 crore with PAT of Rs.4.77 crore, as against a total operating income of Rs.17.14 crore with PAT of Rs.1.12 crore in FY15.

Analyst Contact

Name: Mr Sudeep Sanwal

Tel: 0172-5171101

Cell: +91-9958043187

Email: sudeep.sanwal@careratings.com

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

¹ Complete 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.

CONTACT**Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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