

JULY 29, 2015

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

Ratings

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

Rating Rationale

The ratings for SAB Industries Limited (SAB) continue to be constrained by its small scale of operations, limited experience of executing large-sized contracts thereby limiting the company's ability to bid for larger projects, concentrated revenue stream from a single client and competition from organized and unorganized players. However, the ratings derive strength from SIL's long track record of operations, experienced management team, comfortable order book position and moderate capital structure.

Going forward, 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.

SAB registered a total operating income of Rs.17.14 crore during FY15 (refers to the period April 1 to March 31) with PBILDT and PAT of Rs.1.77 crore and Rs.1.12 crore, respectively, as against a total operating income of Rs.12.28 crore with PBILDT and PAT of Rs.2.70 crore and Rs.0.37 crore, respectively, in FY14.

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

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

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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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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