

## Sanghvi Forging & Engineering Limited

May 30, 2019

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	123.49	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	Issuer Not Co-operating; Based on best available information
Long Term/Short Term Bank Facilities	32.00	<b>CARE D / CARE D; ISSUER NOT COOPERATING* (Single D / Single D; ISSUER NOT COOPERATING*)</b>	Issuer Not Co-operating; Based on best available information
Short Term Bank Facilities	1.05	<b>CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)</b>	Issuer Not Co-operating; Based on best available information
<b>Total Facilities</b>	<b>156.54 (Rupees One Hundred Fifty Six Crore and Fifty Four Lakh only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 11, 2017, placed the ratings of Sanghvi Forging & Engineering Limited (SFEL) under the 'Issuer Non Co-operating' category as the as the company had not paid the surveillance fees as agreed to in its request letter. SFEL continues to be non-cooperative despite requests for submission of information through phone calls and an e-mail dated May 13, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

### Detailed description of the key rating drivers

*At the time of last rating on June 29, 2018, the following were the rating strengths and weaknesses (updated based on the best available information).*

### Key Rating Weaknesses

***Ongoing delays in servicing of debt obligation:*** Due to stressed liquidity, there are on-going delays in servicing of its debt obligations.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology – Manufacturing Companies](#)

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

[Rating Methodology – Short Term Ratings](#)

### About the Company

Vadodara, Gujarat based SFEL, incorporated in 1989, is promoted by Mr. Babulal Sanghvi. SFEL is engaged in manufacturing of forged flanges & heavy forgings used in industrial forging and precision machined components used in the non-automotive sectors such as oil and gas, petrochemicals, chemicals, fertilizers, process equipment, desalination & water treatment, ship building, defense, instrumentation, etc. The company manufactures both standardized as well as customized products. SFEL had an installed forging capacity of 18,600 Metric Tonne Per Annum (MTPA) as on March 31, 2015 with capability to handle a

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

single job of up to 40 MT. SFEL caters to the domestic as well as overseas markets, mostly in Europe, Middle East, Canada and USA.

Brief financials of SFEL are tabulated below:

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	55.53	55.26
PBILDT	3.05	2.15
PAT	(22.52)	(23.10)
Overall gearing (times)	6.4	NM
Interest coverage (times)	0.18	0.13

A-Audited, NM-Not Meaningful, NA-Not Available, UA-Unaudited

As per provisional results for 9MFY19, SFEL reported a total operating income of Rs.41.88 crore and a net loss of Rs.4.92 crore, compared with a total operating income of Rs.40.93 crore and a net loss of Rs.16.64 crore during 9MFY18.

Further, the auditor has qualified his report on the 9MFY19 financial performance of SFEL on account of the following:

- SFEL has not accounted for interest expenditure of Rs.3.49 crore for Q3FY19 and Rs.10.46 crore for 9MFY19, resulting in overstatement of profits for the periods and understatements of current liabilities as on the quarter and nine months ended December 31, 2018 to that extent.

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable.

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

#### Annexure-1: Details of 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-Cash Credit	-	-	-	27.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	15.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Long Term	-	-	-	36.41	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ST-Letter of credit	-	-	-	17.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Long Term	-	-	-	60.08	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Credit Exposure Limit	-	-	-	1.05	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\* Issuer did not co-operate; based on best available information

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	27.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D (06-Apr-16)
2.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	15.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D / CARE D (06-Apr-16)
3.	Term Loan-Long Term	LT	36.41	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D (06-Apr-16)
4.	Non-fund-based - LT/ST-Letter of credit	LT/ST	17.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D / CARE D (06-Apr-16)
5.	Term Loan-Long Term	LT	60.08	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D (06-Apr-16)
6.	Non-fund-based - ST-Credit Exposure Limit	ST	1.05	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE D (06-Apr-16)

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**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**