

Sanghvi Forging & Engineering Limited

June 29, 2020

Ratings

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

Details of instruments/facilities in Annexure-1;

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated May 30, 2019, placed the ratings of Sanghvi Forging & Engineering Limited (SFEL) under the 'Issuer non-cooperating' category as SFEL had not provided the requisite information for monitoring the ratings. SFEL continues to be non-cooperative despite requests for submission of information through e-mails, phone calls and a letter/e-mail dated June 8, 2020. 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(s).

Detailed description of the key rating drivers

At the time of last rating on May 30, 2019, the following were the rating strengths and weaknesses (updated for 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.

Initiation of Corporate Insolvency Resolution Process (CIRP): CIRP has been initiated against SFEL in August 2019 under the Insolvency and Bankruptcy Code (IBC).

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector

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

*Issuer did not cooperate; Based on best available information

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 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)	FY18 (A)	FY19 (A)
Total operating income	55.26	61.38
PBILDT	2.15	4.20
PAT	(23.10)	(19.95)
Overall gearing (times)	NM	NM
Interest coverage (times)	0.13	0.27

A – Audited; NM – Not Meaningful

As per provisional results for 9MFY20, SFEL reported a total operating income (TOI) of Rs.50.26 crore and a net profit of Rs.2.21 crore, compared with a total operating income (TOI) of Rs.41.88 crore and a net loss of Rs.4.92 crore during 9MFY19.

Further, the auditor has qualified his report on the 9MFY20 financial performance of SFEL on account of the following:

- SFEL has not accounted for interest expenditure of Rs.3.59 crore for Q3FY20 and Rs.10.77 crore for 9MFY20, resulting in understatement of loss for the quarter ended as on December 31, 2019 and overstatement of profits for the nine months ended as on December 31, 2019 to that extent.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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-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	-	-	July, 2022	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	-	-	July, 2022	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
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* (30-May-19)	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)
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* (30-May-19)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Apr-17)
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* (30-May-19)	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)
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* (30-May-19)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (11-Apr-17)
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* (30-May-19)	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)
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* (30-May-19)	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-18)	1)CARE D; ISSUER NOT COOPERATING* (11-Apr-17)

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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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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