

Sapcon Steels Private Limited

October 24, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus: Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating ; Based on best available information
Short term Bank Facilities	4.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating ; Based on best available information
Total	8.00 (Rs. Eight crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 05, 2018, placed the rating of Sapcon Steels Private Limited (SSP) under the 'issuer non-cooperating' category as SSP had failed to provide information for monitoring of the rating. SSP continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated September 30, 2019, September 27, 2019 and September 26, 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(s).

Detailed description of the key rating drivers

The rating takes into consideration following strengths and weaknesses (*Updated for the information available from Registrar of Companies*):

Key rating Weaknesses

Modest scale of operations

The scale of operations stood modest marked by a total operating income of Rs 162.60 crore in FY18 (refers to the period April 01 to March 31).

Low profitability margins

The profitability margins of the company stood low marked by PBILDT margin of 0.62% and PAT margin of 0.68% in FY18.

Weak capital structure

The capital structure of SSP stood leveraged at 1.72x as on March 31, 2018.

Raw material price variability: Raw material constitutes more than 70% of the total cost of production during FY14 which exposes the company to the raw material price volatility risk due to the volatility experienced in the prices of iron scrap.

Highly fragmented nature of industry characterized by intense competition: The spectrum of the steel industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. Hence the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability.

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

Fortunes linked to the steel industry which is cyclical in nature: Prospects of steel industry are strongly co-related to economic cycles. Demand for steel products is sensitive to trends of particular industries such as automotive, construction, infrastructure, etc. which are the key consumers of steel products. When downturns occur in these economies or sectors, steel industry may witness decline in demand, which may lead to decrease in steel prices putting pressure on the company.

Key Rating Strengths

Experienced promoters and long track record of operations: SSPL is being managed by promoters namely Mr. Sanjay Aggarwal, Mr. Swatantar Aggarwal, Mr. Bhimsen Aggarwal and Mr. Ajay Aggarwal. Mr. Sanjay Aggarwal has more than two decades of experience in the iron & steel related business through his association with this company.

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 - Wholesale Trading](#)

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

[Criteria for Short Term Instruments](#)

About the company

Sapcon Steels Private Limited (SSPL), based in Jammu, Jammu & Kashmir was incorporated in July, 1992 by Mr. Sanjay Aggarwal, Mr. Swatantar Aggarwal, Mr. Bhimsen Aggarwal and Mr. Ajay Aggarwal. SSPL is primarily engaged in trading of iron and steel products such as rods, tars, angles, channels, beams, plates and flats.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	92.16	162.60
PBILDT	0.98	1.01
PAT	0.59	1.10
Overall gearing (times)	1.35	1.72
Interest coverage (times)	2.67	1.07

A: Audited

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	-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; 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	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; ISSUER NOT COOPERATING* (05-Jul-18)	-	1)CARE BB-; ISSUER NOT COOPERATING* (27-Mar-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (05-Jul-18)	-	1)CARE A4; ISSUER NOT COOPERATING* (27-Mar-17)
3.	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (05-Jul-18)	-	1)CARE A4; ISSUER NOT COOPERATING* (27-Mar-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

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:

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.

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