

Steel Exchange India Limited

May 06, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	575.42	CARE D; ISSUER NOT COOPERATING* (Single D)	Issuer not cooperating; Based on best available information
Short term Bank Facilities	347.00	CARE D; ISSUER NOT COOPERATING* (Single D)	Issuer not cooperating; Based on best available information
Total	922.42 (Rs. Nine Hundred Twenty-Two Crore and Forty-Two lakhs Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 28, 2018 placed the rating of Steel Exchange India Limited (SEIL) under the 'issuer non-cooperating' category as SEIL had failed to provide information for monitoring of the rating. SEIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls. 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 December 28, 2018 the following were the rating strengths and weaknesses: (updated for the information available from Stock Exchange)

Key Rating Weaknesses

Continued delays in debt servicing owing to weak liquidity position: There are continued delays in debt servicing on account of liquidity constraint. The company continued to incur losses during FY19 which has led to stretched liquidity position and consequently delays. The same have also been reported in the audit financials of the company.

Significant decline in operations: The Company has reported 23% decline in total operating income to Rs.598.76 cr during 9MFY20 from Rs.775.82 crore during 9MFY19.

Continued leveraged capital structure with further deterioration: The capital structure of the company continues to remain leveraged. The net worth of the company has completely eroded as on March 31, 2019.

Working capital intensive nature of operations: SEIL operates in a working capital intensive industry which is generally associated with high working capital requirements. Operating cycle of the company remained relatively stressed at 202 days in FY19 as against 262 days in FY18, on account of high inventory holding period.

Key Rating Strengths

Experienced and resourceful promoter group: SEIL is the flagship company of the Vizag Profiles group of companies. The Chairman and Managing director, Mr B Satish Kumar is well qualified and possesses two decades of experience in various industries with more than a decade of experience exclusively in the steel industry. Mr Satish is assisted by a team of professionals who are responsible for handling the key functional areas and have experience in their respective fields for more than two decades.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology - Steel Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

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

*Issuer did not cooperate; Based on best available information

About the Company

Incorporated in February 1999, Steel Exchange India Ltd (SEIL) is primarily engaged in the manufacturing of TMT bars apart from billets, ingots and power generation. The company has a manufacturing facilities for sponge iron (220,000 Tons Per Annum (TPA)), billets (240,000 TPA), ingots (90,000 TPA), and TMT bars (225,000 TPA). Apart from the above, the company also has wire drawing unit with capacity of 30,000 TPA and a 12 MW gas-based power plant. The company also deals in sale and purchase of steel products through its trading division and is recognized as one of the largest dealers for Rashtriya Ispat Nigam Limited. In November 2014, Simhadri Power Limited after receipt of due approvals from high court of Andhra Pradesh is merged with SEIL. A 60MW thermal power plant is located within the premises of SEIL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	943.97	1035.26
PBILDT	-8.60	19.50
PAT	-170.13	-36.68
Overall gearing (times)	-10.53	-7.42
Interest coverage (times)	-0.06	1.96

A: Audited

Status of non-cooperation with previous CRA: ICRA suspends the rating in April 2015 due to absence of requisite information from the company to carry out surveillance.

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-Term Loan	-	-	June 2023	285.42	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	347.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	290.00	CARE D; 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 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-Term Loan	LT	285.42	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (28-Dec-18)	1)CARE D (12-Jul-17)
2.	Non-fund-based - ST-Letter of credit	ST	347.00	CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D; ISSUER NOT COOPERATING*	1)CARE D

				Issuer not cooperating; Based on best available information			(28-Dec-18)	(12-Jul-17)
3.	Fund-based - LT-Cash Credit	LT	290.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (28-Dec-18)	1)CARE D (12-Jul-17)
4.	Issuer Rating-Issuer Ratings	-	-	-	-	-	-	-

*Issuer did not cooperate; Based on best available information

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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