

## Steel Exchange India Limited

December 28, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	575.42	<b>CARE D; ISSUER NOTCOOPERATING* (Single D)</b>	Issuer not cooperating; Based on best available information
Long-term/Short-term Bank Facilities	347.00	<b>CARE D; ISSUER NOT COOPERATING*</b>	Issuer not cooperating; Based on best available information
<b>Total facilities</b>	<b>922.42</b> <b>(Rupee Nine Hundred Twenty Two crore and Forty Two lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking for information from Steel Exchange India Limited (SEIL) to monitor the ratings vide-mail communications dated November 06, 2018, November 21, 2018 and December 05, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Steel Exchange India Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on Steel Exchange India Limited bank facilities and instruments will now be denoted as **CARE D/CARE D; ISSUER NOT COOPERATING\***

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

The ratings take into account delays in debt servicing owing to stretched liquidity position.

### Detailed description of the key rating drivers

*At the time of last rating on July 12, 2017, the following were the rating strengths and weaknesses (Updated from 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 cash losses during FY18 which has led to stretched liquidity position and consequently delays. The same have also been reported in the audit financials of the company. The company had cash and bank balance of Rs. 1.46 crore as on March 31, 2018.

#### Significant decline in operations

The total operating revenue (TOI) for the company reduced by 26.06% to Rs.943.97 crore during FY18 from Rs.1276.83 crore during FY17. Similarly, PBILDT for FY18 has fallen from Rs.80.02 crore in FY17 to loss of Rs.8.60 crore in FY18. The company has reported net loss of Rs.170.13 crore during FY18 (as against net loss of Rs.157.16 crore during FY17).

#### Continued leveraged capital structure with further deterioration

The capital structure of the company continues to remain leveraged. The overall gearing ratio deteriorated from 14.97x as on March 31, 2017 to -10.53x as on March 31, 2018. The net worth of the company has completely eroded as on March 31, 2018.

#### 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 262 days in FY18 as against 167 days in FY17, on account of high inventory holding period. With subdued demand, the company has to offer more credit period which resulted in increase in working capital days.

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

## 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 Companies](#)

[Rating Methodology-Manufacturing Companies](#)

[Short term Instruments](#)

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

### 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. The power plant has capacity to generate 20 MW from coal fines and char which are residual of the sponge iron activity. The 16 MW of power by utilizing hot water gases from Sponge Iron Kiln, which will be mixed along with coal. The residual power of 24 MW is being generated by fresh coal as fuel.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1276.83	943.97
PBILDT	80.02	-8.60
PAT	-157.16	-170.13
Overall gearing (times)	14.97	-10.53
Interest coverage (times)	0.51	-0.06

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

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

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

### 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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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.

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
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 (12-Jul-17)	1)CARE BB (07-Oct-16)	1)CARE BBB- (09-Jul-15)
2.	Non-fund-based - ST-Letter of credit	ST	347.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (12-Jul-17)	1)CARE A4 (07-Oct-16)	1)CARE A3 (09-Jul-15)
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 (12-Jul-17)	1)CARE BB (07-Oct-16)	1)CARE BBB- (09-Jul-15)
4.	Issuer Rating-Issuer Ratings	-	-	-	-	-	-	-

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

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