

## Surya Roshni Limited

April 04, 2019

### Ratings

S.No.	Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
(i)	Commercial Paper	290.00 (reduced from 295)	CARE A1+ (SO) [A One Plus (Structured Obligation)]	Reaffirmed
(ii)	Commercial Paper	15.00	CARE A1+ (SO) [A One Plus (Structured Obligation)]	Reaffirmed
(iii)	Commercial Paper	45.00 (enhanced from 40)	Prov. CARE A1+ (SO) [Provisional A One Plus (Structured Obligation)]	Revised from Final to Provisional
	<b>Total</b>	<b>350.00</b> <b>(Rupees Three Hundred and Fifty crore only)</b>		

*Details of instruments in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating of instrument mentioned in S. no.(i) continues to take into account the credit enhancement in the form of unconditional and irrevocable Stand by Letter of Credit (SBLC) letters issued by State Bank of India, Bank of Baroda and HDFC Bank.

The reaffirmation of the rating of instrument mentioned in S. no.(ii) continues to take into account the credit enhancement in the form of unconditional and irrevocable SBLC letters issued by Punjab National Bank.

The rating of instrument mentioned in S. no.(iii) is revised to provisional from final given the SBLC letter issued by Canara Bank for Rs.45 crore has expired. The provisional rating is proposed to be backed by credit enhancement in the form of unconditional and irrevocable SBLC letter from a bank rated CARE A1+ for its short term ratings. Final rating shall be assigned on receipt of SBLC letter to the satisfaction of CARE.

The ratings also continue to factor in the payment mechanism designed as per which the Issuing and Paying Agency (IPA) would ensure payment of the CPs as per the terms of the transaction. The said CPs are carved out of the fund based working capital limits of the company.

#### Detailed description of the key rating drivers

The rating assigned to CPs aggregating Rs.290 crore is based on the credit enhancement in the form of unconditional and irrevocable SBLC letters issued by State Bank of India, Bank of Baroda and HDFC Bank. The rating assigned to CPs aggregating Rs.15 crore is based on the credit enhancement in the form of unconditional and irrevocable SBLC letters issued by Punjab National Bank. The rating assigned to CPs aggregating Rs.45 crore is proposed to be backed by credit enhancement in the form of unconditional and irrevocable SBLC letter from a bank rated CARE A1+ for its short term ratings. The said CPs are carved out of the fund based working capital limits of the company. The rating also factors in the payment mechanism as detailed below:

T-1 Day	<p>The issuer shall deposit requisite funds in designated account on T-1 day ('T' being the CP payment due date).</p> <p>OR</p> <p>Alternatively issuer to provide letter from 'SBLC issuing bank' on T-1 day stating that on T date in morning session (before 12 PM) 'SBLC issuing bank' shall remit the funds in the designated account with IPA.</p>
T-1 Day	At the end of T-1 day if the issuer fails to deposit funds or letter for remitting requisite funds, on T date, The IPA/ Investor would invoke the guarantee immediately and upon such invocation, the payment would be made by the SBLC issuing bank on 'T' date.

**Analytical Approach Followed** – The ratings of CP are based on credit enhancement in the form of unconditional and irrevocable SBLC letters issued by various banks. The ratings also factor in the structured payment mechanism designed to ensure the payment of the rated CPs.

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

**Applicable Criteria**CARE's Policy on Default RecognitionCriteria for Short Term InstrumentsFinancial ratios – Non-Financial SectorRating Methodology: Factoring Linkages in Ratings**About the Company**

SRL, promoted by Mr J P Agarwal, was incorporated in 1973 as a manufacturer of Electric Resistance Welded (ERW) pipes, sold under the brand name of 'Prakash-Surya'. In 1985, SRL diversified into lighting products with the manufacturing of General Lighting Systems (GLS) and Fluorescent Tube Lamps (FTL) sold under the brand name 'Surya'. SRL has two business divisions – steel division and lighting division. The manufacturing facilities for ERW pipes and CR sheets are located at Bahadurgarh (Haryana), Malanpur (MP) and Hindupur (Andhra Pradesh). The manufacturing unit for CFL, GLS and FTL is situated in Kashipur (Uttarakhand) and Malanpur (MP), while the high mast unit is located at Malanpur (MP). The company is also engaged in the manufacturing of Poly Vinyl Chloride (PVC) pipes at its manufacturing facility at Kashipur. As on March 31, 2018, the company had an installed capacity of 10 million CFLs per annum, 192 million GLS per annum, 60 million FTLs and 85 million Light Emitting Diodes (LED) per annum. In the steel division, SRL has an installed capacity of 8,15,000 MT for varied sizes of pipes and 115,000 MT for CR strips and sheets. During 9MFY19 (refers to the period April 01 to December 31), SRL has reported a PAT of Rs.77 crore on a total operating income of Rs.4,273 crore as against a PAT of Rs.71 crore on a total operating income of Rs.3,506 crore in similar period previous year.

(Rs.Crore)

Brief Financials	FY17 (A)	FY18 (A)
Total operating income	3,884.04	4,933.68
PBILDT	313.58	348.60
PAT	86.28	108.04
Overall gearing (times)	1.45	1.38
Interest coverage (times)	2.78	3.31

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

**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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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.

**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
Commercial Paper	-	-	7-364 days	290.00	CARE A1+ (SO)
Commercial Paper	-	-	7-364 days	15.00	CARE A1+ (SO)
Commercial Paper	-	-	7-364 days	45.00	Prov CARE A1 (SO)

**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	345.58	CARE A+; Stable	1)CARE A+; Stable (04-Oct-18) 2)CARE A+; Stable (26-Apr-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A (11-Jul-16) 2)CARE A- (19-Apr-16)	1)CARE A- (28-Oct-15)
2.	Fund-based - LT-Term Loan	LT	41.96	CARE A+; Stable	1)CARE A+; Stable (04-Oct-18) 2)CARE A+; Stable (26-Apr-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A (11-Jul-16) 2)CARE A- (19-Apr-16)	1)CARE A- (28-Oct-15)
3.	Fund-based - LT-Cash Credit	LT	855.00	CARE A+; Stable	1)CARE A+; Stable (04-Oct-18) 2)CARE A+; Stable (26-Apr-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A (11-Jul-16) 2)CARE A- (19-Apr-16)	1)CARE A- (28-Oct-15)
4.	Non-fund-based-LT/ST	LT/ST	1007.32	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (04-Oct-18) 2)CARE A+; Stable / CARE A1 (26-Apr-18)	1)CARE A+; Stable / CARE A1 (09-Oct-17)	1)CARE A / CARE A1 (11-Jul-16) 2)CARE A- / CARE A2+ (19-Apr-16)	1)CARE A- / CARE A2+ (28-Oct-15)
5.	Fund-based - LT/ST-Stand by Line of Credit	LT/ST	96.00	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (04-Oct-18) 2)CARE A+; Stable / CARE A1 (26-Apr-18)	1)CARE A+; Stable / CARE A1 (09-Oct-17)	1)CARE A / CARE A1 (11-Jul-16) 2)CARE A- / CARE A2+ (19-Apr-16)	1)CARE A- / CARE A2+ (28-Oct-15)
6.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (19-Apr-16)	1)Provisional CARE A1+ (SO) (28-Oct-15)

7.	Commercial Paper	ST	290.00	CARE A1+ (SO)	1)CARE A1+ (SO) (04-Oct-18) 2)CARE A1+ (SO) (07-Aug-18) 3)CARE A1+ (SO) (13-Jul-18) 4)CARE A1+ (SO) (10-May-18)	1)CARE A1+ (SO) (08-Mar-18) 2)CARE A1+ (SO) (16-Oct-17)	-	-
8.	Commercial Paper	ST	45.00	Provisional CARE A1+ (SO)	1)CARE A1+ (SO) (04-Oct-18) 2)CARE A1+ (SO) (07-Aug-18) 3)Provisional CARE A1+ (SO) (13-Jul-18) 4)Provisional CARE A1 (SO) (10-May-18)	1)CARE A1 (SO) (16-Oct-17)	-	-
9.	Commercial Paper	ST	15.00	CARE A1+ (SO)	1)CARE A1+ (SO) (04-Oct-18) 2)CARE A1+ (SO) (07-Aug-18) 3)CARE A1+ (SO) (13-Jul-18) 4)CARE A1+ (SO) (Under Credit watch with Developing Implications) (10-May-18)	1)CARE A1+ (SO) (Under Credit watch with Developing Implications) (08-Mar-18)	-	-

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CIN - L67190MH1993PLC071691