Super Smelters Limited

Instrument	Amount	Rating Action
Fund Based Limits – Term Loan	Enhanced to Rs. 907.38 crore from Rs. 565.0 crore (includes earlier rated untied amount of Rs. 48.191 crore for which bank sanction has been obtained)	[ICRA]BBB+ (Negative) reaffirmed/assigned
Fund Based Limits – Cash Credit	Enhanced to Rs. 452.62 crore (includes untied amount of Rs. 7.62 crore) from Rs. 445.00 crore	[ICRA]BBB+ (Negative) reaffirmed/assigned
Non-Fund Based Limits – Letter of Credit	Rs. 190 crore	[ICRA]A2 reaffirmed

ICRA has reaffirmed the [ICRA]BBB+ (pronounced ICRA triple B plus) rating assigned to the Rs. 565 crore* (includes earlier rated untied amount of Rs. 48.191 crore for which bank sanction has been obtained) term loans and Rs. 445 crore cash credit facilities of Super Smelters Limited (SSL)†. ICRA has also assigned an [ICRA]BBB+ rating to SSL's enhanced term loan and untied cash credit limits of Rs. 342.38 crore and Rs. 7.62 crore respectively. The outlook on the long-term rating remains Negative. ICRA has also reaffirmed the [ICRA]A2 (pronounced ICRA A two) rating to the Rs. 190 crore non-fund based bank facilities of SSL.

The reaffirmation of the ratings favourably factors in the consistent growth in turnover and net cash accrual of SSL witnessed over the past few years, driven by the increasing scale of operations and enhanced value addition backed by regular capacity expansion and vertical integration undertaken by the company. ICRA notes that, with stabilisation of installed facilities in the recent past, the company's revenue and net cash accrual are likely to be strengthened further. The company's captive power plant ensures availability of power at a low cost, and such cost efficiency is likely to improve further, with a significant expansion (by 25 MW) of the captive power generation capacity in 2014-15. The ratings continue to favourably factor in the long track record of the promoters in the steel industry, SSL's established presence in the eastern part of India, the integrated nature of its operations, which is also supported by the backward integration with its group company (erstwhile subsidiary) Sai Sponge (India) Ltd, and the demonstrated ability of SSL's promoters to bring in funds in the form of equity on a regular basis. With infusion of a major part of the proposed equity and long term debt contracted for the ongoing project, the funding risks for the same are largely mitigated. However, the ratings are constrained by an increasing trend in the company's gearing and modest coverage indicators witnessed in recent years on the back of significant debt funded capex, its high working capital intensity of operations which negatively impacts liquidity, and significant debt servicing obligations arising from continuing debt funded capex programme, which may exert pressure on SSL's cash flows. Such risks are further accentuated by the ongoing weakness of the cyclical steel industry, which is likely to keep the margins and cash flows volatile and under pressure, and the risks associated with execution of the ongoing project within the budgeted cost and estimated timeframe. Nevertheless, SSL's strong track record in successful commissioning of large projects in the recent past mitigates projected related risks to an extent. The company's ability to improve its return indicators, gearing and debt coverage metrics, while maintaining the trend in top-line growth, as well as timely execution of the ongoing project without any major deviation from the budgeted cost would remain key rating sensitivities going forward.

Company Profile

Incorporated in 1995, SSL is a part of the Sai group of companies promoted by Mr. Sitaram Agarwal. The manufacturing facilities of the company are located at Durgapur and Jamuria in West Bengal and at Koderma in Jharkhand. Currently the company has facilities for manufacturing 2,40,000 tons per annum (TPA) of sponge iron, 3,23,888 TPA of mild steel (MS) & stainless steel (SS) billet/slab, 28,500 TPA of ferro alloys, rolling mills with the capacities of 1,20,000 TPA of wire rods, 96,000 TPA of thermo

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

mechanically treated (TMT) bars and a combined capacity of 1,20,000 TPA to manufacture hot rolled (HR) sheets and electric resistance welded (ERW) pipes. The company also has captive power plants (CPP) of 53 MW at present. SSL has extended a corporate guarantee towards the bank facilities of its group company Sai Sponge (India) Ltd. [SSIL, rated at [ICRA]BBB+(SO)/Negative/[ICRA]A2(SO)] which is engaged in manufacturing of sponge iron with a capacity of 60,000 TPA. Earlier SSIL was a wholly owned subsidiary of SSL; however, in 2013-14, SSL divested its entire shareholding in SSIL.

Recent Results

During the first nine months of 2014-15 (April'14 – December'14), SSL posted a profit before tax of Rs. 20.13 crore (provisional) on an operating income of Rs. 868.05 crore (provisional). In 2013-14, the company reported a net profit of Rs. 19.64 crore on an operating income of Rs. 1308.86 crore.

March 2015

For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 33 7150 1100)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: **9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: **9821086490** Email: shivakumar@icraindia.com 1802, 18th Floor, Tower 3, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone, Mumbai 400013, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	