

Singhal Energy Private Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 15.79 crore	[ICRA]BBB (Stable); reaffirmed
Fund-Based Limits (Cash Credit)	Rs. 18.00 crore	[ICRA]BBB (Stable); reaffirmed
Non-Fund Based Limits	Rs. 20.71 crore	[ICRA]A3+; reaffirmed

ICRA has reaffirmed the [ICRA]BBB (pronounced ICRA triple B) rating assigned to the Rs. 15.79 crore¹ term loans and Rs. 18.00 crore fund-based bank facilities of Singhal Energy Private Limited (SEPL).² The Outlook assigned to the long-term rating remains 'stable'. ICRA has also reaffirmed the [ICRA]A3+ (pronounced ICRA A three plus) rating assigned to the Rs. 20.71 crore non-fund based bank facilities of SEPL.

While reaffirming the ratings, ICRA has taken into consideration the consolidated operational and financial profile of the Singhal group, which includes Singhal Energy Private Limited (SEPL), Singhal Enterprises Private Limited, Raigarh Unit (SEPLR) and Shri Shyam Ispat (India) Private Limited (SSIPL), because of the strong managerial, operational and financial linkages among the group companies.

The ratings continue to take into account the long track record of Singhal group in the steel business and SEPL's integration within the group for supply and procurement of the sponge iron and power respectively, which reduces its business risk as well as risk associated with the availability of power to an extent. The ratings continue to be supported by SEPL's established linkages for key raw materials like iron ore and coal, which reduces the risk associated with raw material availability to a large extent and SEPL's partially integrated nature of operations in steel making, which supports its operating profitability to an extent. The ratings are, however, constrained by the ongoing slowdown in the steel sector, which is likely to impact SEPL's growth and profitability in the short term; moderately high gearing of SEPL at present, its modest debt coverage indicators in the recent years and moderate size of SEPL's operations at present, though a significant growth was witnessed in 2014-15. The ratings are also impacted by SEPL's working capital intensive nature of operations, increase in which could adversely impact its liquidity position and SEPL's exposure to the cyclical nature associated with the steel industry is likely to keep its profitability and cash flows volatile in future.

Company Profile

SEPL, a closely held company was set up in 2007 by the Raigarh based Singhal Group. The operations of the company along with its group companies are managed by Mr. Sanjay Agarwal and Mr. Ajay Agarwal. The plant of the company is located at Village: Taraimal, Raigarh (CG). SEPL has facilities for manufacturing sponge iron and ferro alloys (ferro silicon/silicon manganese) with an annual capacity of 60,000 MT, and 19,800 per annum respectively.

The Singhal group on a consolidated level, has production facilities for sponge iron, billets/blooms, ferro alloys and power with annual capacities of 403,500 MT, 131,200 MT, 30,600 MT and 34 MW respectively.

Recent Results

In 2014-15, as per the audited financial statements, SEPL reported an operating income of Rs. 140.17 crore and a net profit of Rs. 2.34 crore, as against an operating income of Rs. 77.98 crore and a net profit of Rs. 3.13 crore in 2013-14. During the first nine months in 2015-16, as per the provisional estimates, the company reported an operating income of Rs. 91.03 crore and a profit before tax of Rs. 2.90 crore.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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