

Super Smelters Limited

Instrument	Amount	Rating Action
Fund Based Limits – Term Loan	Rs. 907.38 crore	[ICRA]BBB (Negative) downgraded
Fund Based Limits – Cash Credit	Rs. 452.62 crore (includes untied amount of Rs. 7.62 crore)	[ICRA]BBB (Negative) downgraded
Non-Fund Based Limits – Letter of Credit	Rs. 190 crore	[ICRA]A3+ downgraded

ICRA has revised downward the rating assigned to the Rs. 907.38 crore¹ term loans and Rs. 452.62 crore (including an untied amount of Rs. 7.62 crore) cash credit facilities of Super Smelters Limited (SSL)² from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]BBB (pronounced ICRA triple B). The outlook on the long-term rating remains negative. ICRA has also revised downward the rating assigned to the Rs. 190 crore non-fund based bank facilities of SSL from [ICRA]A2 (pronounced ICRA A two) to [ICRA]A3+ (pronounced ICRA A three plus).

The revision in the ratings primarily factors in the deterioration in SSL's revenues, profits and debt coverage metrics during FY2016 due to adverse condition in the steel industry. ICRA notes that the company's profits and cash flows are likely to remain volatile going forward as well due to the cyclical nature of the steel industry.

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 operation (which renders flexibility of changing product mix as per market demand), and the presence of captive power plants which meets a major portion of the company's power requirement at a low rate, thereby positively impacting its cost structure. The ratings also take into consideration the successful commissioning of a major part of the ongoing capex before schedule, and an advanced stage of implementation of the pending capex, which reduce project risks to a large extent, and the demonstrated ability of SSL's promoters to bring in funds in the form of equity on a regular basis.

The ratings, however, are constrained by the company's high working capital intensity of operations which negatively impacts liquidity, and significant debt servicing obligations arising from continuing debt-funded capex program, which may exert pressure on SSL's liquidity. Moreover, the company would remain exposed to the risks associated with stabilisation of the pending facilities under the ongoing project and off-take of produces from the expanded capacity amid a weak demand scenario.

Going forward, the outlook of the steel industry in the country (which is likely to depend to some extent on the level of spending in the infrastructure and construction sectors), and the company's ability to keep its working capital requirement under control would remain the key rating sensitivities.

Company Profile

Incorporated in 1995, Super Smelters Limited (SSL) is a part of the Sai group, promoted by Mr. Sita Ram Agarwal. The company has facilities for manufacturing 0.6 million tonne per annum (MTPA) of iron ore pellets with 1 MTPA beneficiation facility, 3,30,000 tonnes per annum (TPA) of sponge iron, 3,23,888 TPA of billet/slab, 28,500 TPA of ferro alloys, rolling mills with the capacities of 1,20,000 TPA of wire and wire rods, 96,000 TPA of thermo 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. The manufacturing facilities of the company are located at Durgapur and Jamuria in West Bengal and at Koderma in Jharkhand. However, the Durgapur and Koderma units, having a combined capacity of 153,360 TPA billets and 216,000 TPA of rolled products, are in the process of being demerged from SSL with retrospective effect from April 1, 2015. The company is setting up additional billet and TMT bar manufacturing capacity of 79,200 TPA and 120,000 TPA, respectively, at its Jamuria plant.

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



Recent Results

SSL posted a profit before tax of Rs. 15.14 crore (provisional) on an operating income of Rs. 1,124.65 crore (provisional) in FY2016. In FY2015, the company reported a net profit of Rs. 19.88 crore on an operating income of Rs. 1,242.59 crore.

July 2016

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