



Press Release

Sagar Asia Private Limited

December 05, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|----------------------------|---|---|---|---|--------------------------------------|
| Long Term Bank Facilities | 118.00 (includes proposed facility of Rs.42.57 Cr) | IVR BBB/ Stable (IVR triple B with Stable outlook) | IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR double B plus with Negative Outlook Issuer Not Cooperating) | Upgraded and removed from Issuer Not Cooperating category; long-term rating outlook revised from 'Negative' to 'Stable' | Simple |
| Short Term Bank Facilities | 7.00 | IVR A3+ (IVR A three plus) | IVR A4+ ISSUER NOT COOPERATING* (IVR A four plus Issuer Not Cooperating) | Upgraded and removed from Issuer Not Cooperating category | Simple |
| Total | 125.00 (Rupees one hundred and twenty five crore only) | | | | |

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

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier Infomerics had moved the ratings of Sagar Asia Private Limited (SAPL) into Issuer Not Cooperating category vide its press release dated November 04, 2024, due to non-submission of information required for detailed review of the company. However, the company started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the rating.

The upgrade in the ratings of the bank facilities of Sagar Asia Private Limited (SAPL) has taken into account the improving business risk profile of the company as reflected from its substantial increase in revenue and profits. Further, the ratings also factor in long track record of operations, experienced management, established market position and presence, diversified product profile and clientele. However, the ratings are constrained by average



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financial risk profile buoyed by leveraged capital structure, working capital intensive nature of operations and susceptibility of profitability to volatility in raw material price and exposure to intense competition.

The outlook of SAPL is expected to remain stable as it is supposed to benefit from the extensive experience of the management coupled with diversified product profile and substantial increase in revenue coupled with healthy profitability margins.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in the capital structure and/ or coverage indicators.
- Elongation in the operating cycle with moderation in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Substantial increase in revenue coupled with profits**

The revenue of the company increased by ~35.01% to Rs.258.78 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.191.67 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) on account of increase in capacity and upward demand. Nevertheless, the company has achieved Rs.136.96 Cr in H1FY2025 (Provisional) (refers to period April 1st, 2024, to Sep 30, 2024). The profitability margins of the company remain healthy. The EBITDA margin of the company increased to 11.45% in FY2024 from 11.29% in FY2023. Further, the PAT margin of the company increased to 3.65% in FY2024 from 1.84%



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in FY2023. In the medium term, the sustenance of the growth of the revenue and the further sustenance of the profitability margins of the company will be a key rating monitorable.

- **Strong business risk profile buoyed by established market position and diversified product profile and clientele**

The strong business risk profile of SAPL is supported by the pan India presence of the company. Further, the company derives its revenues from exports to various countries like Germany, Netherlands and Middle east countries. The company has a well-diversified product profile as it generates revenue from four business verticals: aluminium extrusion, ladder, scaffolds and wind-ladder systems/fall arrest systems/Service lifts. The company has a diversified client base with sales to various industries in India and overseas. The top five customers accounted for only ~44% of the total sales in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) indicating a diversified and granular customer profile. Moreover, SAPL has established strong relationships with various reputed clientele over the long tenure of operations in all the segments. Strong customer relations have helped the company to fetch repeat orders.

- **Long track record of operations and experienced management**

Sagar Asia Private Limited has a long operational track record of more than fifteen years. In addition to this, the key promoter of SAPL, Mr. Mr. Veeramsetty Vidyasagar, has been in the industry for more than four decades and has strong understanding of local market dynamics. The promoter's background, experience and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

Key Rating Weaknesses

- **Average financial risk profile buoyed by leveraged capital structure**

The capital structure of the company remained leveraged. The company's adjusted tangible net worth (ATNW) witnessing steady growth on the back of increasing profit and stood at Rs.47.07 Cr as on March 31, 2024, from Rs.37.59 Cr as on March 31, 2023. The ATNW of the company consisted of unsecured loan from directors and other body corporates of Rs.9.82 Cr which is subordinated to the bank loan and therefore treated as quasi equity. Further, the adjusted gearing of the company stood high at 1.92x as on March 31, 2024, as against 1.85x



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as on March 31, 2023. The adjusted Total outside Liabilities/Tangible Net Worth (ATOL/TNW) also stood comfortable at 2.39x as on March 31, 2024, as against 2.37x as on March 31, 2023. Moreover, the debt protection metrics of the company stood moderately comfortable marked by Interest Coverage Ratio at 2.65x as on March 31, 2024, and Debt Service Coverage Ratio at 1.35x as on March 31, 2024. However, the total debt/EBITDA stood high at 3.69x as on March 31, 2024. Going forward, the financial risk profile of the company will improve with no major debt funded capex plans.

- **Intensive Working Capital Management**

The working capital management of the company is intensive in nature marked by a high operating cycle of 131 days as on 31st March 2024. The high operating cycle is primarily on account of high inventory days. The inventory levels stood high at 101 days as on 31st March 2024 predominantly due and raw material holding by the company on account of nature of the business. However, the debtor period stood low at 55 days as on 31st March 2024. Going forward, the working capital management of the company will remain at similar levels as evident from the high inventory level and low debtor level.

- **Susceptibility of profitability to volatility in raw material price**

Aluminum ingots and billets are the key raw material for SAPL. SAPL procured aluminum ingots and billets from large domestic suppliers like Vedanta Aluminum Limited and Hindalco Industries Limited which indicates low bargaining power of the company as against its key suppliers. Further, the aluminum industry is cyclical in nature with prices for the commodity driven by changing demand and supply conditions in the market which also has strong linkages to the global market. This results in risk of price fluctuation on the inventory of raw materials as well as finished goods.

- **Intense competition**

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organized sector players. Apart from the unorganized sector, SAPL also faces competition from the organized sector players.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The company has adequate liquidity position marked by sufficient net cash accruals which stood at Rs.16.11 Cr as on March 31, 2024, as against long term debt repayment of Rs.9.11 Cr over the same period. The current ratio stood moderate at 1.17x as on March 31, 2024 and the quick ratio also stood moderate at 0.50x as on March 31, 2024. The average fund-based limit utilisation remains moderate at 61.09% over the last thirteen months ended October 2024. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in 2007, Sagar Asia Private Limited (SAPL) is a Hyderabad based private limited company, which is engaged in manufacturing of aluminium extrusion, ladder, scaffolds and wind-ladder systems/fall arrest systems/Service lifts. The company is headed by Mr. Veeramsetty Vidyasagar. It has 4 manufacturing units located near Hyderabad and has geographical presence in India, Middle East, Southeast Asia and Europe.

Financials (Standalone):

(Rs. crore)

| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
|------------------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 191.67 | 258.78 |
| EBITDA | 21.63 | 29.63 |
| PAT | 3.53 | 9.46 |
| Total Debt | 87.93 | 109.21 |
| Adjusted Tangible Net Worth | 47.41 | 56.89 |
| EBITDA Margin (%) | 11.29 | 11.45 |
| PAT Margin (%) | 1.84 | 3.65 |
| Overall adjusted Gearing Ratio (x) | 1.85 | 1.92 |
| Interest Coverage (x) | 2.53 | 2.65 |

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

| Sl. No. | Name of Instrument/Facilities | Current Rating (Year 2024-25) | | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|-----------------|---|---|---|---|
| | | Type (Long Term/Short Term) | Amount Outstanding (Rs. Crore) | Rating | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | November 04, 2024 | September 26, 2023 | July 04, 2022 | November 02, 2021 |
| 1. | Term Loan | Long Term | 10.18** | IVR BBB/ Stable | IVR BB+/ Negative ISSUER NOT COOPERATING* | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BBB-/ Stable |
| 2. | Working Capital Term Loan | Long Term | 13.75 | IVR BBB/ Stable | IVR BB+/ Negative ISSUER NOT COOPERATING* | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BBB-/ Stable |
| 3. | Cash Credit | Long Term | 94.07*** | IVR BBB/ Stable | IVR BB+/ Negative ISSUER NOT COOPERATING* | IVR BBB-/ Stable | IVR BBB-/ Stable | IVR BBB-/ Stable |
| 4. | Letter of Credit | Short Term | 7.00^ | IVR A3+ | IVR A4+ ISSUER NOT COOPERATING* | IVR A3 | IVR A3 | IVR A3 |

* Issuer did not cooperate; based on best available information

**includes proposed term loan of Rs. 10.00 crore

*** includes proposed cash credit of Rs. 32.57 crore

^Bank guarantee of Rs. 7 crore is a sublimit of Letter of Credit.

Analytical Contacts:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

| Name of Facility/ Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|----------------------------|------|------------------|------------------|----------------|------------------------------|--------------------------|
| Term Loan | - | - | - | March 2024 | 0.18 | IVR BBB/Stable |
| ECLGS I | - | - | - | September 2027 | 1.84 | IVR BBB/Stable |
| ECLGS II | - | - | - | March 2028 | 2.50 | IVR BBB/Stable |



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| | | | | | | |
|----------------------|---|---|---|--------------|-------|----------------|
| WCTL I | - | - | - | March 2027 | 3.33 | IVR BBB/Stable |
| WCTL II | - | - | - | October 2027 | 3.58 | IVR BBB/Stable |
| GECL | - | - | - | March 2026 | 2.50 | IVR BBB/Stable |
| Proposed Term Loan | - | - | - | - | 10.00 | IVR BBB/Stable |
| Open Cash Credit | - | - | - | - | 14.00 | IVR BBB/Stable |
| Cash Credit | - | - | - | - | 47.50 | IVR BBB/Stable |
| Proposed Cash Credit | - | - | - | - | 32.57 | IVR BBB/Stable |
| Letter of Credit | - | - | - | - | 7.00* | IVR A3+ |

**Bank Guarantee of Rs. 7 crore is a sub limit of Letter of Credit.*

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Sagar-Asia-5dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomercis.com