



Press Release

Sagar Asia Private Limited

July 04, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	117.57	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	7.00	IVR A3 (IVR A three)	Reaffirmed	Simple
Total	124.57 (INR One hundred twenty-four crores fifty- seven lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Sagar Asia Pvt. Ltd. (SAPL) considers the experience of promoters with established track record in business, moderate capital structure and debt protection metrics, established market position and presence and diversified clientele. The ratings, however, is constrained by working capital intensive nature of operations, susceptibility of profitability to volatility in raw material prices, and Intense competition in the industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators



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- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter with long track record

SAPL was incorporated in 2007 and is engaged in the manufacturing of aluminium ladder, scaffoldings, wind ladder, and aluminium extrusion. With over a decade of operational track record, SAPL enjoys established market presence across the country and capability to produce diverse product offerings which finds application in varied end user industries.

The operations of the company are looked after by the promoter Mr. Veeramsetty Vidyasagar who is also the Chairman and Managing Director of the company and is a Chartered Accountant by qualification with over 40 years of experience in the related line of activity. He is actively involved in managing the day-to-day operations of the company along with the support of qualified and experienced professionals.

Moderate capital structure and debt protection metrics

The overall gearing ratio stood moderate at 1.80x as on March 31, 2022(P). Further, total indebtedness of the company as reflected by TOL/TNW stood moderate at 2.15x as on March 31, 2022(P). The debt protection metrics of the company stood comfortable in FY22(P) with healthy interest coverage at 2.41x and DSCR at 1.40 times in FY22(P).

Established market position and presence

SAPL has a Pan India presence as its products are sold across the country. Further, the company derives significant portion of its revenues from exports to different countries (Export sales accounted for 8.68% of the total revenue in FY22. This insulates the company from any regional economic downturns.

Diversified clientele

SAPL has four business verticals: aluminium extrusion, ladder, scaffolds and wind - ladder systems/fall arrest systems/Service lifts etc. The company has a diversified client base with



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sales to various industries in India and overseas. The top ten customers accounted for only ~49% of the total sales in FY22 indicating a diversified and granular customer profile.

Key Rating Weaknesses

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature. The overall working capital intensity of SAPL's business is governed to a large extent by its raw material inventory which in turn is governed by its order execution cycle. Further, SAPL has to extend credit period of 45-60 days to its customers on account of intense competition in the industry. Also, the manufacturing process are interlinked and interdependent in such a way that a finished good of one process acts as a raw material for another process. Hence, the company has to maintain around two to three months of inventory in hand as a regular business practice. However, the same is negated to some extent since it enjoys 20-30 days credit period from its suppliers. However, the operating cycle decreased from 152 days in FY21 to 102 days in FY22. Further, the average working capital utilisation also remained high at 93% during the last twelve months ended April 2022.

Susceptibility of profitability to volatility in raw material price

Aluminium ingots and billets are the key raw material for SAPL. SAPL procured aluminium ingots and billets from large domestic suppliers like Vedanta Aluminium Limited and Hindalco Industries Limited which indicates low bargaining power of the company as against its key suppliers. Further, the aluminium 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.



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Intense competition

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

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate

The liquidity profile of company is expected to remain adequate with its satisfactory cash accruals vis a- vis its debt repayment obligations. The current ratio of the company was also comfortable at 1.32x as on March 31, 2022. However, the average cash credit utilisation of the company remained comfortable at ~93% during the past 12 months ended April, 2022.

About the Company

Incorporated in 2007 by Hyderabad based Mr. Veeramsetty Vidyasagar, Sagar Asia Private Limited (SAPL; Erstwhile Zarges Tubes India Private Limited) is engaged in manufacturing of aluminium ladder, scaffoldings, wind ladder and aluminium extrusion. The company has 4 manufacturing units located in Hyderabad and its products are ISO 9001, 14001, 18001 certified.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisionals
Total Operating Income	96.33	142.22
EBITDA	14.88	17.63
PAT	2.07	2.83
Total Debt	57.37	61.65
Tangible Net worth	31.45	34.28



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EBITDA Margin (%)	15.45	12.40
PAT Margin (%)	2.14	1.99
Overall Gearing Ratio (x)	1.82	1.80
Interest Coverage Ratio (x)	2.45	2.41

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: NIL

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 November 2, 2021	Date(s) & Rating(s) assigned in 2020-21 September 10, 2020	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	25.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
2.	Term Loan	Long Term	3.25	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
3.	Working Capital Term Loan	Long Term	14.32	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
4.	Letter of Credit	Short Term	7.00	IVR A3	IVR A3	IVR A3	-
5.	Bank Guarantee [^]	Short Term	(7.00)	IVR A3	IVR A3	IVR A3	-
6.	Proposed Cash Credit	Long Term	60.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
7.	Proposed Term Loan	Long Term	10.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-

[^]Sublimit of LC



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Medium Term Loan	-	-	FY26	3.25	IVR BBB-/ Stable
WCTL- I	-	-	FY28	4.82	IVR BBB-/ Stable
WCTL-II	-	-	FY28	5.00	IVR BBB-/ Stable
WCTL under ECLGS	-	-	FY25	4.50	IVR BBB-/ Stable
GECL-I	-	-	FY29	2.50	IVR BBB-/ Stable
GECL-II	-	-	-	2.50	IVR BBB-/ Stable
Cash Credit-I	-	-	-	10.00	IVR BBB-/ Stable
Cash Credit-II	-	-	-	15.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	7.00	IVR A3
Bank Guarantee*	-	-	-	(7.00)	IVR A3
Proposed Cash Credit	-	-	-	60.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	10.00	IVR BBB-/ Stable

*Sublimit of LC

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Sagar-Asia-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.infomerics.com.