



Press Release

Sagar Asia Private Limited

September 26, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	118.00 (Enhanced from Rs.117.57 Cr.)	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	125.00 (INR One hundred twenty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sagar Asia Private Limited (SAPL) continues to derive comfort from its experienced promoters with long track record operations, established market position and presence, diversified clientele, stable financial risk profile and moderate capital structure and debt protection metrics. However, these rating strengths are partially offset 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

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Improvement in liquidity position by reducing dependency on working capital borrowing.



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Downward Factors

- Decline in Revenue & deterioration of the financial position of the company, including deterioration in profitability and liquidity.
- Moderation in the capital structure and/or moderation in debt protection metrics on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record operations

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.

Established market position and presence.

SAPL has a Pan India presence as its products are sold across the country. Further, the company derives its revenues from exports to various countries like Germany, Netherland, European and Middle east countries. 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 sales to various industries in India and overseas. The top ten customers accounted for only ~50% of the total sales in FY23 indicating a diversified and granular customer profile.



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Comfortable financial risk profile

The financial risk profile of SAPL is remained comfortable marked by moderate scale of operations, comfortable profitability and net worth base. The Total Operating Income of the company stood moderate at Rs.191.59 Crs in FY23 provisional compared to Rs.141.62 Crs in FY22. The EBITDA margin stood comfortable at 11.25% in FY23 (provisional) compared to 12.00% in FY22. The Adjusted TNW of the company stood comfortable at of Rs.45.15 crore as on March 31, 2023 (provisional) as against Rs.34.07 crore as on March 31, 2022.

Moderate capital structure and debt coverage indicators.

The company's adjusted net worth as on March 31, 2023 consist of subordinated unsecured loans aggregating to Rs. 5.54 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the company stood at Rs.45.15 crore as on March 31, 2023 compared with Rs.34.07 crore as on March 31, 2022. The leverage indicators remained moderate marked by the overall gearing ratio continues to stand moderate at 2.04x as on March 31, 2023 (Provisional). Further, total indebtedness of the company as reflected by TOL/TNW stood moderate at 2.54x as on March 31, 2023(Provisional). The debt protection metrics of the company stood comfortable in FY23(Provisional) with interest coverage at 2.52 times and DSCR at 1.37 times.

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 extend since it enjoys 20-30 days credit period from its suppliers. The operating cycle remained high at 133 days in FY23 provisional compared to



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128 days in FY22. Further, the average working capital utilisation also remained high at 81% during the last twelve months ended August 2023.

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

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the Company remained adequate as reflected gross cash accruals of Rs. 11.89 crore in FY23 (Provisional) as against maturing debt obligations of around ~ Rs.9.11 crores and it is expected to remain adequate in the near to medium term driven by sufficient cushion in its expected accruals as compared to debt repayment obligation FY24-26. Moreover, the company has no major near term capex plan, which imparts comfort. Besides,



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its average bank limit utilisation remained moderate at 81 percent in the last 12 months ended August 2023, indicating a moderate liquidity buffer. Further the current ratio stood moderate at 1.21x in FY23 (Provisional).

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):

For the year ended* / As on	(Rs. crore)	
	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	141.62	191.59
EBIDTA	17.00	21.56
PAT	2.62	5.53
Total Debt	61.94	92.21
Adjusted Tangible Net Worth	34.07	45.15
EBDITA Margin (%)	12.00	11.25
PAT Margin (%)	1.85	2.88
Overall Gearing Ratio (x) on Net Adjusted TNW	1.82	2.04
Interest Coverage Ratio (X)	2.13	2.52

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					July 04, 2022	November 02, 2021	September 10, 2020
1.	Term Loan	Long Term	0.18	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Working Capital Term Loan	Long Term	13.75	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
3.	Proposed Term Loan	Long Term	10.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
4.	Cash Credit	Long Term	61.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
5.	Proposed Cash Credit	Long Term	32.57	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
6.	Letter of Credit	Short Term	7.00^	IVR A3	IVR A3	IVR A3	IVR A3

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

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About Infomerics:



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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.

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Annexure 1: Details of Facilities

Name of Facility	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
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: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SAPL-sept23.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.