



Press Release

Satvik Enterprises Limited

November 21, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	29.72 (enhanced from INR 14.00 Cr)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facility	40.00 (enhanced from INR 32.00 Cr)	IVR A3 (IVR A three)	Reaffirmed	Simple
Total	69.72 (INR sixty nine crore seventy two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Satvik Enterprises Limited (SEL) considers the common management team and operational & financial linkages between SEL and its group companies, Saatvik Ferro Limited, Vamancore Global (FZE) and Vamancore Pte Limited. Infomerics has taken a consolidated view of these entities referred together as Saatvik Group. The reaffirmation of the ratings assigned to the bank facilities of the group continues to derive strength from promoters' extensive experience in the ferro-alloy trading business, improvement in topline during FY23, prudent risk management policy leading to lower debtor and inventory risk, a strong customer base and low counterparty and price fluctuation risk. However, these rating strengths are constrained on account of thin profit margins due to trading nature of operations, highly fragmented and competitive nature of the ferro-alloys industry, exposure to cyclicity in the steel industry, and susceptibility to fluctuations in commodity prices.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income, operating margin and cash accrual
- Improvement in working capital management with improvement in liquidity.
- Improvement in capital structure and debt protection metrics with improvement in overall gearing ratio on sustained basis

Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing and moderation in interest coverage ratio

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Promoters' extensive experience in the ferro-alloy trading business

Saatvik group's promoters are in the line of ferro-alloy trading business for more than two decades. Over the years, the promoters have developed good insights about the cyclicity of the industry and has also established healthy relationship with its suppliers and key customers. Infomerics believes Saatvik group's business risk profile would continue to benefit backed by promoters' longstanding industry experience.

Improvement in topline during FY23

In FY2023 the group witnessed a modest growth in topline, which has consequently led to an increase in net profit and GCA. The group's total operating income (TOI) increased to Rs. 2232.12 crore in FY2023 from Rs. 2130.34 crore in FY2022 depicting an increase of ~5.53% on a y-o-y basis, primarily led by strong performance from VPL, followed by VGZ and SEL. While the EBITDA declined by ~33% on account of increase in operating cost, the PAT



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increased marginally to Rs. 44.07 crore during FY2023 from Rs. 43.97 crore during FY2022 on account of claims received during FY23. A sustained increase in the scale of operations along with the profits will be a key rating factor going forward.

Prudent risk management policy leading to lower debtor and inventory risk

Around 90-95% of the group's transactions are order-backed, and the balance is managed through a stock-and-sell model. Once the product enquiry is received from customers, the group seeks the best quotes from suppliers. While procuring the supplies, it orders for a marginal quantity, depending on expected movement in commodity prices in the near term, and sells the surplus material in the open market. A significant portion of receivables, backed by letters of credit, also reduce risks related to bad debts.

Strong customer base

The group has a strong customer base which includes many reputed medium size steel players. Moreover, the group has a healthy relationship with its customers which help the group to fetch repetitive orders. Established relationship with the key suppliers and customers has resulted in timely supply of materials and repeat orders.

Low counterparty and price fluctuation risk

The group has low counterparty risk as a major portion of transactions are LC backed or against advance payment. As the group is engaged in trading of ferro-alloys or other commodities, therefore, the group is exposed to price fluctuation risk. The price fluctuation risk is mitigated by the adoption of back-to-back sales policy.

Key Rating Weaknesses

Thin profit margins due to trading nature of operations

The profitability of the group remained thin over the years mainly due to low value additive trading nature of its operations with intense competition in the operating spectrum. The group's operating profitability has remained thin. Moreover, the EBITDA margin have witnessed decline as per FY23 where it stood at 1.05% as compared to 1.65% in FY22. Infomerics



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believes group's margin would continue to remain modest at similar level over the medium term.

Highly fragmented and competitive ferro-alloy industry keeps margins under check

The ferro-alloy industry comprises numerous established and unorganized players at different levels of the value chain. In addition to intense competition, low value addition (given the trading nature of operations), keeps profitability under check.

Exposure to cyclicity in the steel industry and susceptibility to fluctuations in commodity prices

With growth of the ferro-alloy industry directly linked to the steel industry, the inherent cyclical nature of the steel industry exposes the company to adverse steel price fluctuations and inventory losses. The metal trading business is cyclical in nature which is strongly correlated to economic cycles, hence earnings are susceptible to fluctuations in commodity prices.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Saatvik Ferro Limited, Satvik Enterprises Limited, Vamancore Global (FZE) and Vamancore Pte Limited. This is because these companies, collectively referred to as the Saatvik group, are under control of same promoters, have business and financial linkages. List of companies considered for consolidated analysis is given below in **Annexure 2**

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for rating outlook](#)

Liquidity – Adequate



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The group is expected to have adequate liquidity marked by sufficient inflows to match its long term debt repayment obligations from FY24-FY26. This is coupled with low working capital utilization with combined average utilisation of ~13% during the last 12 months ended Sep 2023. Current ratio stood comfortable at 1.15 times as on March 31, 2023. Infomerics expects the liquidity position of the group will remain at an adequate level in medium term backed by a comfortable net working capital cycle.

About the company and the Group

Saatvik Enterprises Limited (SEL) was incorporated by Mr. Vikash Kumar Agarwal in 1997. Initially, the company was engaged in trading of steel products. Since 2006, the company started trading of ferro- alloys. Presently the company caters to both domestic and overseas markets such as France, USA, European nations etc.

Incorporated in 2008, Saatvik Ferro Limited (SFL) is also engaged in trading of ferro-alloy. SFL is also promoted and managed by Mr Vikash Kumar Agarwal.

Incorporated in 2008, Vamancore Pte Ltd. is a Singapore based, a wholly owned subsidiary of Saatvik Enterprises Limited. The company is engaged exclusively in import and export of Ferro Alloys and Iron & Steel Products.

Incorporated in 2021, Vamancore Global (FZE) is a UAE based, a wholly owned subsidiary of Saatvik Ferro Limited. The company is engaged exclusively in import and export of Ferro Alloys and Iron & Steel Products.

Financials (Combined):

	(Rs. Crore)	
For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	2130.34	2232.12
EBITDA	35.06	23.53
PAT	43.97	44.07
Total Debt	88.38	219.76
Tangible Net-worth	145.14	196.59
EBITDA Margin (%)	1.65	1.05



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PAT Margin (%)	2.04	1.94
Overall Gearing Ratio (x)	0.61	1.12

**Classification as per Infomerics' standards*

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	349.74	421.17
EBITDA	6.57	10.31
PAT	3.10	3.89
Total Debt	28.66	77.31
Tangible Net-worth	46.41	50.31
EBITDA Margin (%)	1.88	2.45
PAT Margin (%)	0.88	0.92
Overall Gearing Ratio (x)	0.62	1.54

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CRISIL vide its press release dated March 20, 2023 continued to maintain the ratings of the company in Issuer Not Cooperation category due to non-submission of information by the company.

Any other information: Nil

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)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 30, 2022)	Date(s) & Rating(s) assigned in 2021-22 (June 03, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	LongTerm	29.72	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	-
2.	Inland/ Import Letter of Credit/ Foreign Letter of Credit	ShortTerm	40.00	IVR A3	IVR A3	IVR A3	-



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Name and Contact Details of the Rating Analyst:

Name Mr. Shantanu Basu Tel: 033-4803 3621 Email: shantanu.basu@infomerics.com	Name: Mr. Sandeep Khaitan Tel: 033-4803 3621 Email: sandeep.khaitan@infomerics.com
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About Infomerics Ratings:

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 (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	29.72	IVR BBB-/ Stable
Inland/ Import Letter of Credit/ Foreign Letter of Credit	-	-	-	40.00	IVR A3

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

Name of the company	Consolidation Approach
Satvik Enterprises Limited	Full consolidation
Saatvik Ferro Limited	Full consolidation
Vamancore Pte Limited	Full consolidation
Vamancore Global (FZE)	Full consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-satvik-nov23.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.