SEBI Registered
RBI Accredited
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BWR/BLR/HO/ERC/VS/4090/2017-18 **January 29 2018**

The Managing Director
Sathavahana Ispat Limited (SIL)
505, Block 1, Divyashakti complex
Ameerpet, Hyderabad- 500016

Dear Sir,

Sub: Rating review of the Bank Loan Facilities of ***Sathavahana Ispat Limited (SIL)*** amounting to Rs 1115.65 Crores (INR One Thousand One Hundred and Fifteen Crores & Sixty Five Lakhs Only)

Ref: 1. Your mandate dated July 23 2013
2. Our Initial Rating Letter No. BWR/BNG/ERC/BLR/2013-14/001082 dated November 08 2013, BWR/ BNG/ERC/BLR/2015-16/0016 dated April 22 2015 and BWR/BLR/HO/ERC/RR/0218/2016-17 dated November 22 2016.

On a review of ***Sathavahana Ispat Limited (SIL)'s*** performance based on the information and clarifications provided by you, feedback received from the Lenders and as available in public sources, we wish to inform you that the ratings[1] of the Bank Loan Facilities of Rs 1115.65 Crores (INR One Thousand One Hundred and Fifteen Crores & Sixty Five Lakhs Only) of ***Sathavahana Ispat Limited (SIL)*** have been revised as follows:

Facilities Rated#	Amount (Rs Crs) Previous	Amount (Rs Crs) Present #	Tenure	Rating[1] Previous (Nov-2016)	Rating[1] Present
Fund Based: Term Loan/ Corporate Loan Cash Credit	430.65 88.00	430.65 88.00	Long term	BWR BBB- [Pronounced BWR Triple B minus] (Outlook: Stable)	**BWR D Downgraded**
Fund based: Standby Line of Credit **Non-Fund Based:** ILC/FLC/BG	5.00 592.00	5.00 592.00	Short term	BWR A3 [Pronounced BWR A Three]	
Total	**1115.65**	**1115.65**	**INR One Thousand One Hundred and Fifteen Crores & Sixty Five Lakhs Only**		

#Annexure I shows details of bank loan facilities

[1] Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned.

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Sathavahana Ispat Limited (SIL)

BWR/BLR/HO/ERC/VS/4090/2017-18 **January 29 2018**

The Ratings are valid for twelve months from the date of this letter and subject to terms and conditions as per your mandate dated July 23 2013 and other correspondence, if any, and Brickwork Ratings' standard disclaimer appended at the end of this letter.

The rated Bank Loan facilities would be under surveillance during the said period. You are required to submit information periodically as per Annexure II for the purpose of surveillance/review. You are also required to keep us informed of any information/development that may affect your Company's finances/performance without any delay.

We are also enclosing the Rating Rationale. Please acknowledge.

Best Regards,

Vidya Shankar
Chief General Manager – Ratings
Brickwork Ratings India Private Limited

Note: In case of all valid Ratings, respective Rating Rationale is published on Brickwork Ratings website. Interested persons are well advised to refer to our website www.brickworkratings.com, if they are unable to view the rationale, they are requested to inform us on brickworkhelp@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

BWR/BLR/HO/ERC/VS/4090/2017-18 **January 29 2018**

Sathavahana Ispat Limited (SIL)

Annexure I: Details of the bank facilities rated

Facility (Rs Crs)	Bank/ FI	Rated Amount (Rs Crs)
Term Loan/ Corporate Loan	State Bank of India	103.96
	Canara Bank (Lead Bank)	134.81
	Andhra Bank	101.88
	IFCI Ltd	90.00
Cash Credit	State Bank of India	35.20
	Canara Bank	26.40
	Andhra Bank	26.40
Letter of Credit	State Bank of India	207.20
	Canara Bank	207.20
	Andhra Bank	177.60
Standby Line of Credit	State Bank of India	5.00
Total		**1115.65**

Note: Above rated amount is as per information furnished by the Company in Nov 2016

Rating Rationale

Sathavahana Ispat Limited (SIL)

31 Jan 2018

Brickwork Ratings revises the rating to 'BWR D' for the bank loan facilities of Rs 1115.65 Crs of Sathavahana Ispat Limited ('SIL' or the 'Company')

Particulars:

Facilities Rated#	Amount (Rs Crs) Previous	Amount (Rs Crs) Present #	Tenure	Rating Previous (Nov-2016)	Rating Present
Fund Based: Term Loan/ Corporate Loan	430.65	430.65	Long Term	BWR BBB- [Pronounced BWR Triple B minus] (Outlook: Stable)	**BWR D (BWR Single D) Downgraded**
Cash Credit	88.00	88.00			
Fund based: Standby Line of Credit	5.00	5.00	Short Term	BWR A3 [Pronounced BWR A Three]	
Non-Fund Based: ILC/FLC/BG	592.00	592.00			
Total	**1115.65**	**1115.65**	**INR One Thousand One Hundred and Fifteen Crores & Sixty Five Lakhs Only**		

#Annexure I shows details of bank loan facilities
[1]For definitions of the rating symbol please visit our website www.brickworkratings.com

Ratings Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, Provisional Half Yearly Financials, feedback received from the Banks, publicly available information and information/ clarifications provided by the Company's management.

The rating revision reflects the delays in debt servicing by the Company on account of stretched liquidity and classification of the Company's bank accounts as NPA. The rating also reflects the weakened credit profile of the company due to net losses, declining net worth and poor debt coverage indicators.

As on 31st Mar 2017, the situation was more or less in order, as the Company had clocked revenues of Rs 1094.98 Crs in FY17, although net losses were also reported. However, the financial position of the Company started worsening in current FY, with plunging turnover and escalating losses, resulting in the net worth being eroded and the key financial ratios getting adversely affected. As a result, there was a delay in publication of 1HFY18 Financials. The lenders are reported to be considering a suitable restructuring plan, in an effort to improve the fortunes of the Company.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

SIL, incorporated in 1989 in Hyderabad, Andhra Pradesh, is engaged in the manufacture of Pig Iron, Metallurgical Coke, Ductile Iron Pipes and co-generation cum thermal power. The Company has capacity to produce 210000 MTPA of Pig Iron, 450000 MTPA of Metallurgical Coke and 210000 TPA of Ductile Iron Pipes. The Company also operates a 88 MW Co-generation Power plant. The Pig Iron facility is located in Haresamudram, Ananthapur district, Andhra Pradesh and the Metallurgical coke making facility is located in Kudithini, Bellary district, Karnataka. SIL is a listed Company (BSE and NSE).

Financial Performance

Total operating income declined from Rs 1180.81 Crs in FY16 to Rs 1096.22 Crs in FY17. The EBITDA levels although positive, was insufficient to take care of CPLTD of Rs 106.59 Crs in FY17. The EBIDTA levels are negative during 1HFY18, mainly due to the turnover having nosedived to only about Rs. 160 Crs, attributed to lack of working capital. This in turn led to serious liquidity issues and insufficiency of cash for servicing of loan obligations. Net losses increased to Rs (64.77) Crs in FY17 from Rs (34.35) Crs in FY16, mainly on account of lower capacity utilization of Ductile Iron Pipe manufacturing unit, non-availability of working capital limits to run the plant operations, shut down of Ferrous division in June 2017 and higher interest costs.

Total debt stood at Rs 652.33 Crs as on March 31, 2017. Long term borrowings of Rs 282.99 Crs in FY17 comprised of secured term loans from Banks/ FIs. Short Term borrowings of Rs 262.75Crs in FY17 reflects Buyers Credit of Rs. 113.99 Crs and working capital of Rs. 148.75 Crs. Tangible net worth has been getting wiped off due to accumulated losses in FY17. Net worth deteriorated to Rs 103.73 Crs as on March 31, 2017 as against Rs 168.49 Crs as on March 31 2016. The Key Financial parameters are summarized in Annexure II.

Status of non-cooperation with other CRA: Not Applicable.

Any other information: NA

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	2017	23-Nov-2016*	22-Apr-2015**
1	Fund based Limits	Long term	518.65	BWR D Downgraded	-	BWR BBB- (Stable) Reaffirmed	BWR BBB- (Stable) Reaffirmed
2.	Fund based/ Non Fund based Limits	Short term	597.00		-	BWR A3 Reaffirmed	BWR A3 Reaffirmed
	Total		**1115.65**	**INR One Thousand One Hundred and Fifteen Crores & Sixty Five Lakhs Only**			

*Amount rated: Rs 1115.65 Crs
**Amount rated: Rs 1268.94Crs
Note: An initial rating of BW BBB- (Stable)/ BWR A3 for bank loan facilities of Rs 1310.46 Crs was assigned on 18th Nov 2013.

Hyperlink/Reference to applicable Rating Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Default Recognition and Default Curing Period**

Analytical Contacts	Media
Vidya Shankar *Chief General Manager- Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

Sathavahana Ispat Limited (SIL)

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	Canara Bank	207.20
	Andhra Bank	177.60
Standby Line of Credit	State Bank of India	5.00
Total		**1115.65**

Note: Above rated amount is as per information furnished by the Company in Nov 2016

Sathavahana Ispat Limited (SIL)
Annexure II
Key Financial Parameters

Particulars	31/Mar/2016	31/Mar/2017
Result Type	**Audited**	**Audited**
Total Operating Income (Rs Crs)	1180.81	1096.22
EBITDA (Rs Crs)	105.49	90.97
Net Losses (Rs Crs)	-34.35	-64.77
Tangible Net Worth (Rs Crs)	168.49	103.73
Total Debt/TNW (Times)	4.03	6.29
Current Ratio (Times)	0.61	0.52

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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