

# CARE Due Diligence Services



## Due Diligence Report

Name of the Entity	Sagardeep Alloys Limited
Location of Plant	Plot No. 2070, Rajnagar Patiya, Santej Khatraj Road, Santej – 382721, Taluka: Kalol (N.G.) Gandhinagar, Gujarat.
Operational Status	Operational
Report Date	March 15, 2016

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## **NOTICE**

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**Key Strengths**

- *Promoters having more than four decades of experience in trading and manufacturing of SS, copper and other alloys*
- *Comfortable capital structure*
- *Moderate profit margins*
- *Decent range of products portfolio (copper pipes, tubes, flats, coils, rods, nuggets, plates, copper alloys consumables, ferrous and non-ferrous metals and alloys)*

**Key weaknesses**

- *Working capital-intensive nature of operation leading to more than 95% utilization of working capital bank borrowings.*
- *Modest scale of operations and low proportion of income coming from manufacturing operations of SAL*
- *Susceptibility of margins to volatile raw material prices*
- *Presence in highly fragmented and competitive copper and alloy industry along with limited geographical presence*

## Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
  - *Audited financials for the financial year ending March 31, 2011, audited by M/s Vikas Moondra & Co. and signed by Mr. Vikas Moondra (Proprietor) dated August 09, 2011.*
  - *Audited financials for the financial year ending March 31, 2012, audited by M/s Pushpendra Gupta & Associates and signed by Mr. Dhaval Gupta (Partner) dated June 23, 2012.*
  - *Audited financials for the financial year ending March 31, 2013, audited by M/s Pushpendra Gupta & Associates and signed by Mr. Dhaval Gupta (Partner) dated July 02, 2013.*
  - *Audited financials for the financial year ending March 31, 2014, audited by M/s Pushpendra Gupta & Associates and signed by Mr. Pushpendra Gupta (Partner) dated June 06, 2014.*
  - *Audited financials for the financial year ending March 31, 2015, audited M/s Pushpendra Gupta & Associates and signed by Mr. Pushpendra Gupta (Partner) dated August 06, 2015.*
  - *Audited financials for ending September 30, 2015, audited M/s Piyush J. Shah & Co. and signed by Mr. Piyush J. Shah (Partner) dated December 30, 2015.*

*DRHP consists of financials till September 30, 2015; thus, CARE has also considered financials till only September 30, 2015.*

- *As a part of the due diligence exercise for NSE, CARE also*
  - *Reviews financials submitted by the company with Ministry of Corporate Affairs.*
  - *Undertakes Site visit and management discussion*
  - *Due Diligence with lenders and auditors*
  - *Due Diligence with customers and suppliers.*
- *However, please note that*
  - *Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.*
  - *CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.*

**BRIEF SNAPSHOT OF ENTITY**

<b>Name</b>	Sagardeep Alloys Limited				
<b>Year of Incorporation</b>	February 13, 2007				
<b>Constitution</b>	Public Limited Company				
<b>Nature of Business</b>	Manufacturing and Supply of Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates and Copper Alloys Consumables and Trading and Supply of Ferrous and Non Ferrous Metals and Alloys				
<b>Industry</b>	Metal				
<b>Products</b>	Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates, Copper Alloys Consumables, Ferrous and Non Ferrous Metals and Alloys				
<b>Registered Office</b>	205, Pittalaya Bumba, Near Madhuram Cinema, Gheekanta, Ahmedabad – 380 001, Gujarat				
<b>Location of Plant</b>	Plot No. 2070, Rajnagar Patiya, Santej Khatraj Road, Santej – 382721, Taluka: Kalol (N.G.) Gandhinagar, Gujarat.				
<b>Key Promoter's name</b>	Mr. Satish A Mehta, Managing Director				
<b>Key regulatory approvals, certifications and membership</b>	NA				
<b>Major Brands</b>	-				
<b>Certification</b>	ISO 9001:2008				
<b>Name of the Auditor</b>	M/s Piyush J Shah & Co.				
<b>Major Existing Bankers</b>	Bank of Baroda				
<b>Total number of employees</b>	8 on company's payroll				
<b>Total income for latest year</b>	Rs. 13261.41 Lakh (FY15)				
<b>Wilful defaulter as per CIBIL</b>	No as on December 31, 2015				
<b>Litigations</b>	Cases Against	Particulars	Nature & Number of Case	Amount involved	Current status and managements response
	SAL	Tax Laws	Civil - 3	Rs. 6,89,14,413	Hearing in case is in process with Kanpur court.
	SAL	Civil Laws	Civil – 2	Rs. 1646006	Hearing is in Process

**Background**

Sagardeep Alloys Ltd (SAL) was incorporated in 2007 as Sagar Deep Alloys Pvt. Ltd. and was subsequently converted in to a public limited company (closely held) in 2012. SAL is engaged in manufacturing of various copper and brass products as well as trading of Stainless Steel (SS), Mild Steel (MS), copper and brass products. SAL has its manufacturing facility (ISO 9001:2008 certified) located near Ahmedabad, Gujarat with an installed manufacturing capacity of 2400 Metric Tonnes Per Annum (MTPA) as on March 31, 2015.

SAL sells its products i.e. copper pipes, tubes, flats, coils, rods, nuggets, plates, copper alloys consumables, ferrous and non-ferrous metals and alloys to local wholesalers. The company caters to various customers based in different geographical locations in India and they are from different industry segments.

### ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

#### Details of key promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. Asamal S Mehta	66 years	Whole Time Director	SSC	48 years	9 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Production functions
Mr. Satishkumar A Mehta	38 years	Managing Director	B. Com.	15 years	9 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Administration and Accounts & Finance
Mr. Jayeshkumar A Mehta	36 years	Whole Time Director	HSC	15 years	9 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Sales department and Marketing and Business Development functions
Mr. Harish A Mehta	32 years	Whole Time Director	B. Com.	10 years	9 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Sales department and Marketing functions, including imports export

#### Comments:

- Mr. Asamal S Mehta has around 5 decades of experience in metal industry and he was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'.
- Mr. Satishkumar A Mehta is a commerce graduate and has 15 years of experience in the metal industry. He was appointed as Managing director of SAL. Earlier he was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'.

## Due Diligence Report: Sagardeep Alloys Limited

- Mr. Jayeshkumar A Mehta is a promoter and whole time director of SAL and has around 15 years of experience in metal industry. Earlier he was also engaged in trading business of stainless steel and other alloy products under the name of ‘M/s Sagar Metals’.
- Mr. Harish A Mehta is a promoter and executive director of SAL. He is commerce graduate and has one decade of experience in metal industry. He was also in trading business of stainless steel and other alloy products under the name of ‘M/s Sagar Metals’

### Details of key management personnel

Name	Age	Designation	Educational qualification	Approx. total years of experience	Years of association with SAL	Details of the past experience	Responsibilities handled
Mr. Bhavik R Somani	27	Chief Financial Office	ACA	3 years	1 year	DBS Affordable Home Strategy Ltd	Finance & Accounts
Mr. Dileep R Panchal	26	Company Secretary & Compliance Officer	ACS	1 year	11 months	Gyscoal Alloys Limited	Secretarial Compliances
Mr. Krishnakant P Somani	27	Marketing Manager	BBA	5 years	5 years	NF	Marketing

### Comments:

- The key management personnel are young and well qualified however they have reasonable experience in the industry.

### Details of the board of directors

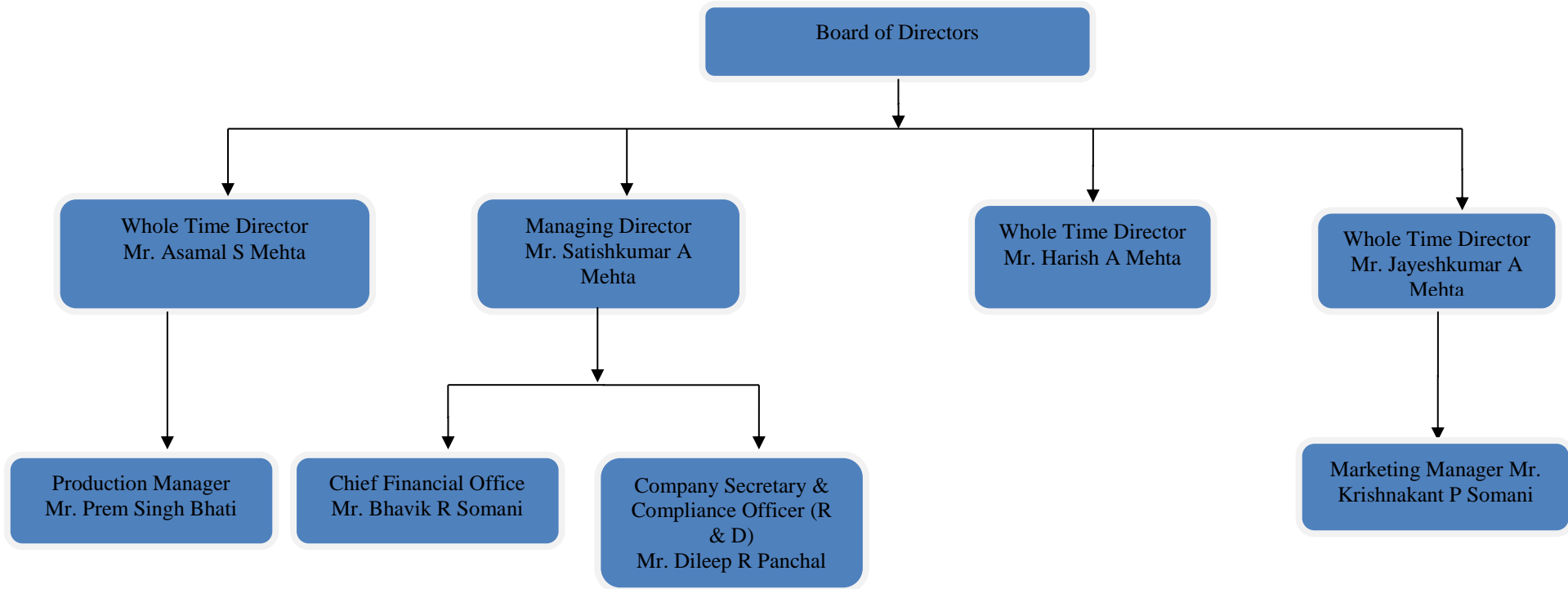
Name	Age (Years)	Category	Education qualification	Total years of experience	Details of the past experience	Other directorships/ Association Chairman
Mr. Asamal S Mehta	66	Whole Time Director	SSC	48 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Nil
Mr. Satishkumar A Mehta	38	Managing Director	B. Com.	15 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	1. Sagardeep Engineers Private Ltd 2. Firefly Batteries Private Limited
Mr. Jayeshkumar A Mehta	36	Whole Time Director	HSC	15 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Nil
Mr. Harish A Mehta	32	Whole Time Director	B. Com.	10 years	He was engaged in trading business of stainless steel and other alloy products under the name of 'M/s Sagar Metals'	Nil
Mr. Hemang M Panchal	32	Non-executive Independent Director	Bachelor of Engineering	NF	NF	Nil
Mr. Hemendra B Patel	45	Non-executive Independent Director	Diploma in Mechanical Engineering	8 years	Associated with Sigma Lasertech Pvt Ltd since 2008	Sigma Lasertech Private Limited
Ms. Vinita P Maheshwari	32	Non-executive Independent Women Director	M.A.	NF	NF	Real Fasteners Private Limited
Mr. Nileshkumar D Patel	32	non-executive Independent Director	ACA	3 years	NF	Nil

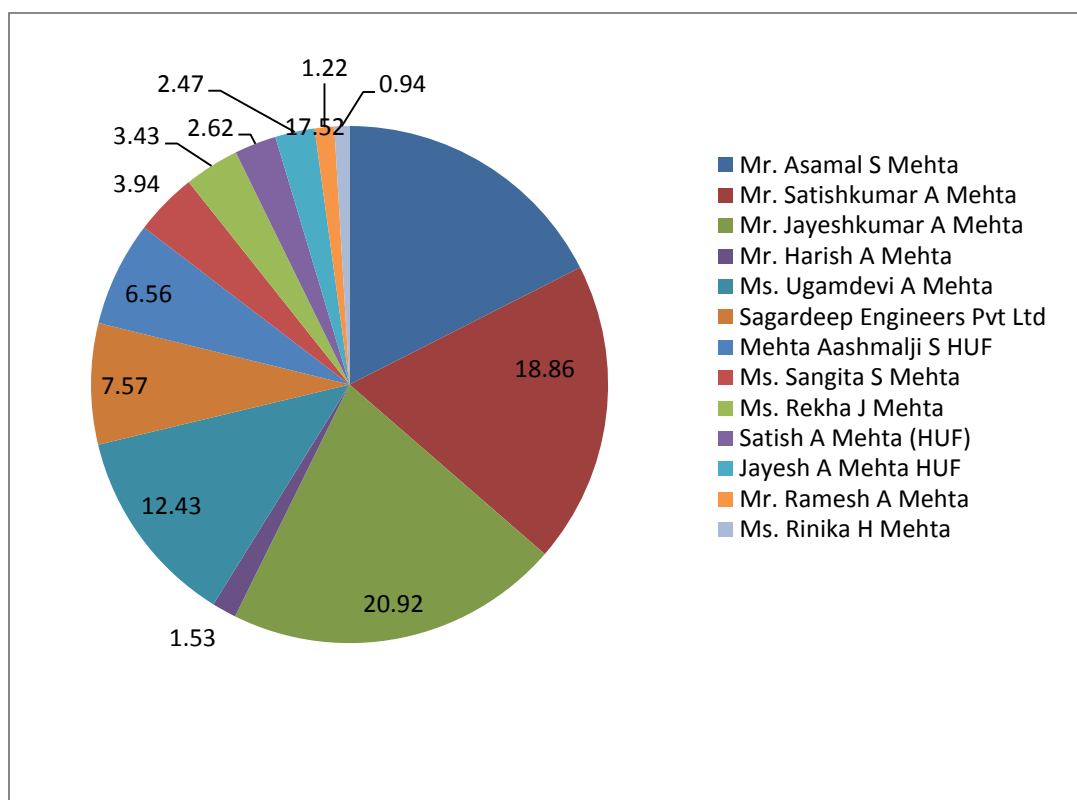
### Comments:

- SAL has four executive directors and four non-executive and independent directors.
- The average industry experience of all the directors is more than 2 decades in the fields of finance, marketing, production and administration.



**Due Diligence Report: Sagardeep Alloys Limited**



**ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE**
**Share holding pattern as on March 14, 2016**


Name of share holder	No. of equity shares held	Share in business (%)
Mr. Asamal S Mehta	1466950	17.52
Mr. Satishkumar A Mehta	1578550	18.86
Mr. Jayeshkumar A Mehta	1751500	20.92
Mr. Harish A Mehta	128000	1.53
Ms. Ugamdevi A Mehta	1040600	12.43
Sagardeep Engineers Pvt Ltd	633500	7.57
Mehta Aashmalji S HUF	549000	6.56
Ms. Sangita S Mehta	329500	3.94
Ms. Rekha J Mehta	287000	3.43
Satish A Mehta (HUF)	219000	2.62
Jayesh A Mehta HUF	207000	2.47
Mr. Ramesh A Mehta	102000	1.22
Ms. Rinika H Mehta	79000	0.94
<b>Total</b>	<b>8371600</b>	<b>100.00</b>

**Group Company details**
**(Rs. Lakh)**

Group company name	Sagar Prakash Alloys			Bhuvan Buildcon LLP			Kanan Buildcon LLP		
	FY15	FY14	FY13	FY15	FY14	FY13	FY15	FY14	FY13
Business Activity	It is engaged in the business of trading of Ferrous & Non Ferrous Metals.			The Main object of the Kanan Buildcon LLP is to Purchase, sale any land, plot(s) of land or immovable property or any right or interest therein either singly or jointly or in Partnerships with any person(s) or body corporate or partnership firm and to develop and construct thereon residential, commercial complex or complex(es) either singly or jointly or in partnership as aforesaid, comprising offices for sale or for self-use or for earning rental income thereon by letting out individual units comprised in such building(s)			The Main object of the Kanan Buildcon LLP is to Purchase, sale any land, plot(s) of land or immovable property or any right or interest therein either singly or jointly or in Partnerships with any person(s) or body corporate or partnership firm and to develop and construct thereon residential, commercial complex or complex(es) either singly or jointly or in partnership as aforesaid, comprising offices for sale or for self-use or for earning rental income thereon by letting out individual units comprised in such building(s)		
Total Operating Income	21.94	NF	NF	NF	NF	NF	NF	NF	NF
PAT	1.76	NF	NF	NF	NF	NF	NF	NF	NF
Total Debt	NF	NF	NF	NF	NF	NF	NF	NF	NF
Net worth	NF	NF	NF	NF	NF	NF	NF	NF	NF

**(Rs. Lakh)**

Group company name	Shri Hari Industries (Satis A Mehta)			Mehta Aashmalji Siremalji (HUF)			Satis A Mehta (HUF)		
	FY15	FY14	FY13	FY15	FY14	FY13	FY15	FY14	FY13
Business Activity	NF			NF			NF		
Total Operating Income	NF	NF	NF	NF	NF	NF	NF	NF	NF
PAT	NF	NF	NF	NF	NF	NF	NF	NF	NF
Total Debt	NF	NF	NF	NF	NF	NF	NF	NF	NF
Networth	NF	NF	NF	NF	NF	NF	NF	NF	NF

**(Rs. Lakh)**

Group company name	Jayesh A Mehta (HUF)			Harish A Mehta (HUF)		
	FY15	FY14	FY13	FY15	FY14	FY13
Business Activity	NF			NF		
Total Operating Income	NF	NF	NF	NF	NF	NF
PAT	NF	NF	NF	NF	NF	NF
Total Debt	NF	NF	NF	NF	NF	NF
Net worth	NF	NF	NF	NF	NF	NF

**Employee Profile**

<b>Particulars</b>	<b>Nos.</b>
Employees on payroll	8
<b>Total Employees</b>	<b>8*</b>

\*The company hires labors on contract which is decided by the management on the basis of orders on hand and proposed demand schedule.

**Comment:**

- The major decisions are taken by the MD Mr. Satishkumar Mehta and who is further supported by other directors and the second line of management.

**BUSINESS PROFILE: OPERATIONS OVERVIEW**
**BUSINESS PROFILE ANALYSIS**

SAL is engaged in manufacturing of various copper and brass products as well as trading of Stainless Steel (SS), Mild Steel (MS), copper and brass products. SAL has its manufacturing facility (ISO 9001:2008 certified) located near Ahmedabad, Gujarat with an installed manufacturing capacity of 2400 Metric Tonne Per Annum (MTPA) as on March 31, 2015.

**OPERATIONS OVERVIEW**

<b>Nature of activity</b>	Manufacturing and Supply of Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates and Copper Alloys Consumables and Trading and Supply of Ferrous and Non Ferrous Metals and Alloys
<b>Industry segment</b>	Metal
<b>Products</b>	Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates, Copper Alloys Consumables, Ferrous and Non Ferrous Metals and Alloys
<b>Plant locations</b>	Plot No. 2070, Rajnagar Patiya, Santej Khatraj Road, Santej – 382721, Taluka: Kalol (N.G.) Gandhinagar, Gujarat.
<b>Area of the Plant</b>	7000 Sq. Mtr.
<b>Ownership of Plant</b>	Owned

**Comments:**

- SAL manufactures Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates and Copper Alloys Consumables and trades Ferrous and Non Ferrous Metals and Alloys.

**Product-wise revenue analysis (in case of Manufacturing)**

<b>Particulars</b>	<b>FY 15</b>	<b>FY14</b>	<b>FY13</b>	<b>FY12</b>
<b>Installed capacity (In Ton)</b>				
Copper products	2400	2400	2400	2400
Brass Products	-	-	-	-
SS Products	-	-	-	-
<b>Total</b>	<b>2400</b>	<b>2400</b>	<b>2400</b>	<b>2400</b>
<b>Production (In Ton)</b>				
Copper products	1758.21	596.53	704.03	1024.45
Brass Products	-	-	-	-
SS Products	-	-	-	-
<b>Total</b>	<b>1758.21</b>	<b>596.53</b>	<b>704.03</b>	<b>1024.45</b>
<b>Capacity utilization (%)</b>				
Copper products	<b>73.26</b>	<b>24.86</b>	<b>29.33</b>	<b>43.50</b>
Brass Products	-	-	-	-
SS Products	-	-	-	-
<b>Total</b>	<b>73.26</b>	<b>24.86</b>	<b>29.33</b>	<b>42.69</b>

Particulars	FY 15	FY14	FY13	FY12
<b>Sales (Value) (In Lacs)</b>				
Copper products	5425.77	2609.75	3527.24	4458.20
Brass Products	-	-	-	-
SS Products	-	-	-	-
<b>Total</b>	<b>5425.77</b>	<b>2609.75</b>	<b>3527.24</b>	<b>4458.20</b>
<b>Sales Quantity (In Ton)</b>				
Copper products	1763.21	593.96	797.89	1028.62
Brass Products	-	-	-	-
SS Products	-	-	-	-
<b>Total</b>	<b>1763.21</b>	<b>593.96</b>	<b>797.89</b>	<b>1028.62</b>

**Product-wise revenue analysis (in case of trading)**

Particulars	FY 15	FY14	FY13	FY12
<b>Sales (Value) (In Lacs)</b>				
Copper products	1907.31	5842.24	8982.47	4228.10
Brass Products	38.40	0.27	19.29	83.58
SS Products	5075.88	5470.68	6619.93	7728.93
<b>Total</b>	<b>7021.59</b>	<b>11313.19</b>	<b>15621.69</b>	<b>12040.61</b>
<b>Sales Quantity (In Ton)</b>				
Copper products	390.94	1223.80	1956.41	934.60
Brass Products	11.68	0.07	4.93	29.20
SS Products	3702.58	4681.56	6190.62	7152.15
<b>Total</b>	<b>4105.20</b>	<b>5905.43</b>	<b>8147.08</b>	<b>8115.95</b>

**Comments:**

- SAL manufactures Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates and Copper Alloys Consumables and trades Ferrous and Non Ferrous Metals and Alloys.
- SAL is expecting greater demand in the coming years. SAL sells its products into domestic market

**PROJECT DETAILS: NA**

**CUSTOMERS & SUPPLIERS ANALYSIS**

**CUSTOMER'S PROFILE**

SAL sells its products i.e. copper pipes, tubes, flats, coils, rods, nuggets, plates, copper alloys consumables, ferrous and non-ferrous metals and alloys to local wholesalers

The company caters to various customers based in different geographical locations in India and they are from different industry segments.

**CUSTOMERS FEEDBACK**

Name of Customer	J. S. Business Corporation
Contact person	Mr. Suresh Jain
Contact details	09879209857
Feedback	Satisfactory

Name of Customer	Virat Industries
Contact person	Mr. Mahendra
Contact details	9979610989
Feedback	Satisfactory

Name of Customer	Bhakti Metals Pvt. Ltd.
Contact person	Mr. Ladu Inani
Contact details	426080166
Feedback	Satisfactory

**SUPPLIERS' PROFILE**

SAL's primary raw material is Copper scrap and cathode which it procures from various suppliers located in India

**Supplier Feedback**

Name of Supplier	Paras Bhavani Steel Pvt. Ltd.
Contact person	Mr. Manindar Malhotra
Contact details	9227761505
Feedback	Satisfactory

Name of Supplier	Maruti Stainless Pvt Ltd
Contact person	Mr. Pankaj
Contact details	9825186523
Feedback	Satisfactory

Name of Supplier	Sheth Sanwaliya Metals Pvt. Ltd
Contact person	Mr.Sandeep Mehta
Contact details	8155000662
Feedback	Satisfactory

### BUSINESS ACTIVITY DETAILS

<b>Key Raw materials</b>	Copper scrap and copper cathode
<b>Level of Raw Material Price fluctuation risk</b>	Moderate
<b>Quality Certifications</b>	ISO 9001:2008
<b>Level of value addition</b>	Moderate

### SUPPLY SIDE ANALYSIS

<b>Average Creditor Days</b>	35 days
<b>Raw Material Availability</b>	Adequate
<b>Import as a % of RM Purchase</b>	Nil

#### Comments:

- The raw materials are adequately available in the domestic market; SAL procures raw material i.e. Copper scrap and copper cathode from local market.



**INDUSTRY ANALYSIS**

<b>Name of the industry</b>	Metal
<b>Product portfolio</b>	Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates, Copper Alloys Consumables, Ferrous and Non Ferrous Metals and Alloys
<b>Overall Industry risk</b>	Moderate
<b>Level of competition</b>	High

**INDUSTRY WRITE-UP:**
**Background**

India is the world's third-largest producer of crude steel (up from eighth in 2003) and is expected to become the second-largest producer by 2016. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

Steel production capacity of the country expanded from about 75 Million Tonnes Per Annum (MTPA) in 2009-10 to about 90.5 Million Tonnes (MT) in 2014-15.

India produced 7.4 MT of steel in the month of June 2015 reporting the third highest production level globally which was 0.8 per cent higher than the country's steel production in the same month last year.

**Domestic Scenario**

The steel sector in India contributes nearly two per cent of the country's gross domestic product (GDP) and employs over 600,000 people. The per capita consumption of total finished steel in the country has risen from 51 Kg in 2009-10 to about 59 Kg in 2014-15. India's steel consumption for FY 2015-16 is estimated to increase by 7 per cent, higher than 2 per cent growth last year, due to improving economic activity, as per E&Y's 'Global Steel 2015-16' report. The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 3<sup>rd</sup> largest producer of crude steel in 2015 and the country continues to be the largest producer of sponge iron or DRI in the world. As per the report of the Working Group on Steel for the 12<sup>th</sup> Five Year Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country. These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others. At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach

110 million tons (mt) by 2019-20. However, based on the assessment of the current ongoing projects, both in greenfield and brownfield, the Working Group on Steel for the 12th Five Year Plan has projected that domestic crude steel capacity in the country is likely to be 140 mt by 2016-17 and has the potential to reach 149 mt if all requirements are adequately met. The National Steel Policy 2005 is currently being reviewed keeping in mind the rapid developments in the domestic steel industry (both on the supply and demand sides) as well as the stable growth of the Indian economy since the release of the Policy in 2005.

### **Investments in Steel Sector**

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments in the recent past. According to the data released by Department of Industrial Policy and Promotion (DIPP), the Indian metallurgical industries attracted foreign direct investments (FDI) to the tune of US\$ 8.7 billion, respectively, in the period April 2000–May 2015.

Some of the major investments in the Indian steel industry are as follows:

- Posco Korea, the multinational Korean steel company, has signed an agreement with Shree Uttam Steel and Power (part of Uttam Galva Group) to set up a steel plant at Satarda in Maharashtra.
- SAIL plans to invest US\$23.8 billion to increase the steel production to 50 MTPA by 2025.
- ArcelorMittal, world's leading steel maker, has agreed a joint venture with Steel Authority of India Ltd (SAIL) to set up an automotive steel manufacturing facility in India.
- Iran has evinced interest in strengthening ties with India in the steel and mines sector, said ambassador of the Islamic Republic of Iran, Mr Gholamreza Ansari in his conversation with Minister of Steel and Mines, Mr Narendra Singh Tomar.
- Public sector mining giant NMDC Ltd will set up a greenfield 3-million tonne per annum steel mill in Karnataka jointly with the state government at an estimated investment of Rs 18,000 crore (US\$ 2.8 billion).
- JSW Steel has announced to add capacity to make its plant in Karnataka the largest at 20 MT by 2022.

### **Government initiatives**

The Government of India is aiming to scale up steel production in the country to 300 MT by 2025 from 81 MT in 2013-14.

The Ministry of Steel has announced to invest in modernisation and expansion of steel plants of Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) in various states to enhance the crude steel production capacity in the current phase from 12.8 MTPA to 21.4 MTPA and from 3.0 MTPA to 6.3 MTPA respectively.

The Ministry of Steel is facilitating setting up of an industry driven Steel Research and Technology Mission of India (SRTMI) in association with the public and private sector steel companies to spearhead

research and development activities in the iron and steel industry at an initial corpus of Rs 200 crore (US\$ 31.67 million).

Some of the other recent government initiatives in this sector are as follows:

- Government has planned Special Purpose Vehicles (SPVs) with four iron ore rich states i.e., Karnataka, Jharkhand, Orissa, and Chhattisgarh to set up plants having capacity between 3 to 6 MTPA.
- SAIL plans to invest US\$ 23.8 billion for increasing its production to 50 MTPA by 2025. SAIL is currently expanding its capacity from 13 MTPA to 23 MTPA, at an investment of US\$ 9.6 billion.
- A Project Monitoring Group (PMG) has been constituted under the Cabinet Secretariat to fast track various clearances/resolution of issues related to investments of Rs 1,000 crore (US\$ 152 million) or more.
- To increase domestic value addition and improve iron ore availability for domestic steel industry, duty on export of iron ore has been increased to 30 per cent.

**Road Ahead**

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

*Source: Ministry of Steel and Indian Brand Equity Foundation*

**SITE VISIT REPORT Manufacturing facility**

<b>Location of Plant</b>	Plot No. 2070, Rajnagar Patiya, Santej Khatraj Road, Santej – 382721, Taluka: Kalol (N.G.) Gandhinagar, Gujarat
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<b>Sites visited</b>	Plot No. 2070, Rajnagar Patiya, Santej Khatraj Road, Santej – 382721, Taluka: Kalol (N.G.) Gandhinagar, Gujarat
<b>Date of Site Visited</b>	March 15, 2016
<b>Presence in a cluster</b>	No
<b>Area of the unit</b>	7000 Sq. Mtr.
<b>No. of employees at site</b>	75
<b>Ownership of premises</b>	Owned
<b>Other facilities</b>	Boundary wall, name boards, fire extinguisher, stock yard and canteen

**Adequacy of Warehousing Facilities**

<b>Availability of land for future expansion</b>	Adequate
<b>Site layout</b>	Structured
<b>Adequacy of insurance coverage</b>	Fully Insured
<b>Source of power</b>	Paschim Gujarat Vij Company Limited
<b>Adequacy of power</b>	Adequate
<b>Presence of labour union</b>	No
<b>Industrial relations</b>	Good
<b>Level of work safety</b>	Adequate
<b>Adequacy of storage facilities</b>	Adequate
<b>Operational status of plants</b>	Operational

**FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT**
**Rs. In Lakh**

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	30 Sept 2015
<b>Result Type:</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>No. of months in current financial year</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>6</b>
Gross Sales	3340.41	4499.14	2873.84	1778.40	5553.40	2742.33
Traded Goods Sales	10405.57	13757.21	17594.28	14081.68	8357.66	3670.00
Total Excise and Other Indirect Taxes	-341.05	-433.70	-432.16	-317.37	-669.33	305.60
Net Sales	13404.93	17822.65	20035.96	15542.71	13241.73	6112.73
Other Income(related to operations)	33.62	54.87	10.75	4.48	19.68	8.36
Total Operating Income	13438.55	17877.52	20046.72	15547.20	13261.41	6121.09
Material Costs	2672.31	3916.41	3002.03	2383.39	5074.04	2407.96
Cost of Traded Goods Sale	9793.90	13098.90	16430.90	12387.23	6884.77	3064.74
Accretion  : Decretion to Finished Goods Stock	384.46	15.13	-32.79	-9.65	27.34	0.00
Consumable Stores	23.17	20.08	0.54	22.95	30.36	11.92
Power and Fuel	73.05	101.63	85.88	133.54	165.52	67.80
Employee Costs	24.74	27.27	62.66	68.28	93.14	29.94
Other Manufacturing Expenses	34.59	48.94	10.28	20.96	64.31	321.63
Other Expenses	33.65	64.05	33.73	156.48	470.59	21.20
Selling Expenses	48.18	91.28	102.79	52.90	74.34	0.00
Cost of Sales	13088.05	17383.70	19696.01	15216.07	12884.40	5966.34
PBILDT	350.50	493.82	350.71	331.13	377.01	154.75
Depreciation	9.43	11.28	12.05	12.57	36.16	20.94
PBIT	341.06	482.54	338.65	318.56	340.85	133.81
Interest and Finance Charges	134.12	200.74	251.57	235.29	260.40	100.04
Operating Profit Before Tax (OPBT)	206.94	281.81	87.08	83.27	80.45	33.77

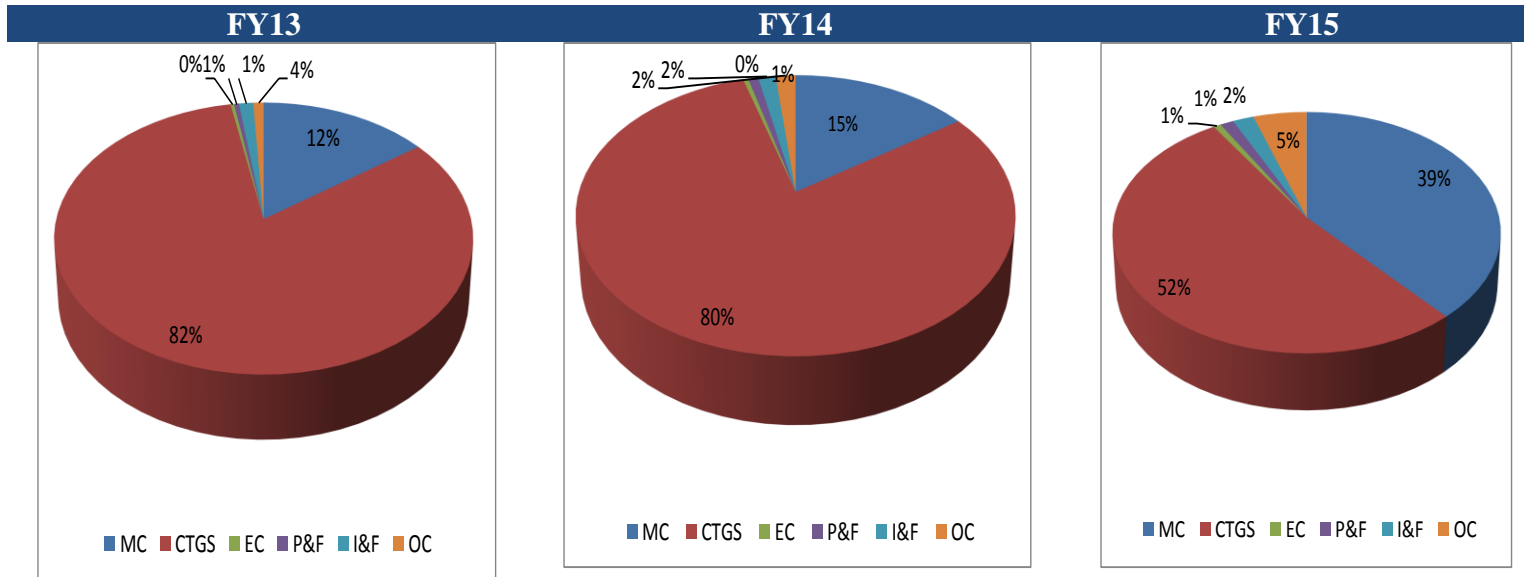
Operating Profit After Tax (OPAT)	137.96	190.26	57.65	57.09	70.99	33.77
Non Operating Income / (Expense)	1.68	-4.08	9.58	14.54	3.81	-
Profit Before Tax (PBT)	208.62	277.73	96.66	97.81	84.26	33.77
Cash Adjustments	0.00	0.00	0.00	-0.50	-1.55	0.00
Adjusted Profit Before Tax (APBT)	208.91	277.73	96.66	97.32	82.71	33.77
Tax	58.38	83.50	25.78	25.00	15.00	6.50
Provision for Deferred Tax	11.25	6.72	6.89	5.60	-5.27	18.31
ADJUSTED PROFIT AFTER TAX (APAT)	139.28	187.51	63.99	66.71	72.99	8.96
Gross Cash Accruals	159.97	205.50	82.93	84.88	103.87	48.21

**Comments:**
**Revenue analysis**
**Rs. In Lakh**

Parameters	FY11	FY12	FY13	FY14	FY15	CAGR (%) (FY11-FY15)
Net Sales	13404.93	17822.65	20035.96	15542.71	13241.73	-0.00306
<i>% y-o-y growth</i>	-	32.96%	12.42%	-22.43%	-14.80%	-
Other Income (related to operations)	33.62	54.87	10.75	4.48	19.68	-0.1253
<i>% y-o-y growth</i>	-	63.21%	-80.41%	-58.33%	339.29%	-
<b>Total Operating Income</b>	13438.55	17877.52	20046.72	15547.2	13261.41	-0.00331
<i>% y-o-y growth</i>	-	33.03%	12.13%	-22.45%	-14.70%	-

- SAL's total operating income (TOI) consists of sales of Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates, Copper Alloys Consumables, Ferrous and Non Ferrous Metals and Alloys to its domestic customers across the country.
- Although, net sales of the company grew from Rs.13404.93 lakh in FY11 to Rs.20035.96 lakh in FY13, however it decreased to Rs.15542.71 lakh in FY14 and Rs.13241.73 lakh in FY15 due sluggish market conditions.
- Other income includes income from job work of Rs.19.68 Lakh in FY15.

**FINANCIAL PERFORMANCE - COST STRUCTURE**



MC = Material cost; CGS = Cost of goods sold; EC = Employee cost; P&F = Power and fuel; I&F = Interest and finance charges; OC = other cost (including depreciation);

**Comments:**

Cost of traded goods sale constituted the highest pie in the cost structure for FY15 which decreased from Rs. 12387.23 lakh in FY14 to Rs. 6884.77 lakh which is proportionate to decrease in traded goods sale. For the previous year also, it was the major cost contributor to the total costs. While employee costs increased from Rs. 68.28 lakh to Rs.93.14 lakh in FY15, the power & fuel costs increased from Rs. 133.54 lakh in FY14 to Rs.165.52 lakh. Fixed capital charges (depreciation and finance costs) covered 2.25 portions of total costs for FY15.

**Material cost analysis**

Parameters	FY11	FY12	FY13	FY14	FY15
Material cost (Rs. lakh)	2672.31	3916.41	3002.03	2383.39	5074.04
% y-o-y growth	NM	46.56%	-23.35%	-20.61%	112.89%
As % of TOI	19.89%	21.91%	14.98%	15.33%	38.26%
As % to cost of sales	20.42%	22.53%	15.24%	15.66%	39.38%

- SAL being engaged into manufacturing of Copper Pipes, Tubes, Flats, Coils, Rods, Nuggets, Plates, Copper Alloys Consumables, material costs is the second largest component in cost structure. SAL procures raw material (i.e. Copper scrap and copper cathode). Material costs as a



% of TOI remained fluctuating and in the range of 14.98% to 38.26%, on account of volatility in the price.

### Cost of traded goods analysis

Parameters	FY11	FY12	FY13	FY14	FY15
Cost of traded goods (Rs. lakh)	9793.9	13098.9	16430.9	12387.2	6884.77
% <i>y-o-y growth</i>	NM	33.75%	25.44%	-24.61%	-44.42%
As % of TOI	72.88%	73.27%	81.96%	79.67%	51.92%
As % to cost of sales	74.83%	75.35%	83.42%	81.41%	53.43%

- SAL being trader of Ferrous and Non Ferrous Metals and Alloys to its domestic customers constitutes highest pie in the cost structure. Cost of traded goods sales as a % of TOI remained fluctuating and in the range of 51.92% to 81.96%, as per changes in the demand.

### Power & fuel cost

Parameters	FY11	FY12	FY13	FY14	FY15
Power & fuel cost (Rs. lakh)	73.05	101.63	85.88	133.54	165.52
% <i>y-o-y growth</i>	NM	39.12%	-15.50%	55.50%	23.95%
As % of TOI	0.54%	0.57%	0.43%	0.86%	1.25%
As % to cost of sales	0.56%	0.58%	0.44%	0.88%	1.28%

- Power and fuel (P&F) costs remained in the range of 0.43% to 1.25% of TOI and 0.44% to 1.28% of total cost of sales during the past five years ending March 31, 2015.

### Employee cost

Parameters	FY11	FY12	FY13	FY14	FY15
Employee cost (Rs. lakh)	24.74	27.27	62.66	68.28	93.14
% <i>y-o-y growth</i>	NM	10.23%	129.78%	8.97%	36.41%
As % to total operating income	0.18%	0.15%	0.31%	0.44%	0.70%
As % to cost of sales	0.19%	0.16%	0.32%	0.45%	0.72%

- SAL employs considerable number of manpower for overlooking operations at manufacturing facility and also qualified personnel for managing administrative, marketing, logistics and accounts and finance. The total number of employees (on payroll) with the company stood at 8 as on March 15,

2016. The company hires labors on contract which is decided by the management on the basis of orders on hand and proposed demand schedule.

### Other operating cost items

Parameters	FY11	FY12	FY13	FY14	FY15
<b>Selling Expenses (Rs. lakh)</b>	48.18	91.28	102.79	52.9	74.34
% y-o-y	NM	89.46%	12.61%	-48.54%	40.53%
% of TOI	0.36%	0.51%	0.51%	0.34%	0.56%
% of cost of sales	0.37%	0.53%	0.52%	0.35%	0.58%
<b>Other Manufacturing Expenses (Rs. lakh)</b>	34.59	48.94	10.28	20.96	64.31
% y-o-y	NM	41.49%	-78.99%	103.89%	206.82%
% of TOI	0.26%	0.27%	0.05%	0.13%	0.48%
% of cost of sales	0.26%	0.28%	0.05%	0.14%	0.50%
<b>Other operating Expenses (Rs. lakh)</b>	33.65	64.05	33.73	156.48	470.59
% y-o-y	NM	90.34%	-47.34%	363.92%	200.73%
% of TOI	0.25%	0.36%	0.17%	1.01%	3.55%
% of cost of sales	0.26%	0.37%	0.17%	1.03%	3.65%

- Selling expenses remained in the range of 0.34% to 0.56% of TOI during FY11 to FY15 sales promotion, publicity and commission to sales person.
- During FY11 to FY15, other manufacturing expense remained very low and in the range of 0.05% to 0.48% of TOI due to part of manufacturing process is being done on job work basis. It also comprised of insurance and repairs, effluent treatment charges.
- Other operating expenses (include Telephone and stationery expenses, travelling and conveyance expenses, legal and professional consultation expenses and Directors and auditors remunerations) expense remained very low and in the range of 0.17% to 3.55% in from FY11 to FY15 as a percent of TOI.

### Depreciation

Parameters	FY11	FY12	FY13	FY14	FY15
Depreciation (Rs. lakh)	9.43	11.28	12.05	12.57	36.16
% y-o-y growth	NM	19.62%	6.83%	4.32%	187.67%
As % of total operating income	0.07%	0.06%	0.06%	0.08%	0.27%
Depreciation rate (% of average gross block)	3.11	1.59	1.42	1.30	3.32

- Depreciation expense increased from Rs.9.43 Lakh in FY11 to Rs.36.16 Lakh in FY15 mainly due to additions to machinery, furniture, air conditioner, computer, buildings and vehicles.

- The company has charged depreciation based on the revised remaining useful life of assets as per the requirements of schedule II to the companies act, 2013 and addition or deletion to fixed asset during the year is being depreciated on pro-rata basis with respect to the period of use.

**Interest and finance charges**

Parameters	FY11	FY12	FY13	FY14	FY15
Interest and Finance Charges (Rs. lakh)	134.12	200.74	251.57	235.29	260.4
<i>% y-o-y growth</i>	NM	49.67%	25.32%	-6.47%	10.67%
As % of TOI	1.00%	1.12%	1.25%	1.51%	1.96%

- The total interest and finance charges have increased slightly from Rs.235.29 Lakh in FY14 to Rs.260.40 Lakh in FY15 mainly due to increase in interest on cash credit and other interest expenses during FY15.

**FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS**
**Rs. In Lakh**

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual
<b>SUMMARY: ASSETS</b>					
Gross Block	351.37	353.78	370.59	378.24	709.35
Accumulated Depreciation	-13.95	-25.20	-37.18	-49.67	-86.62
Net Block	337.42	328.57	333.41	328.57	622.73
Capital Work in Progress	0.00	0.00	21.83	45.52	49.55
<b>NET FIXED ASSETS</b>	337.42	328.57	355.24	374.09	672.28
Investments in Subsidiaries	0.51	0.00	0.00	0.00	0.00
Other Investments	0.00	0.00	0.00	0.00	5.00
<b>TOTAL INVESTMENTS :net of provision</b>	0.51	0.00	0.00	0.00	5.00
Raw and Packing Materials	93.62	196.64	95.99	260.71	182.10
Work In Process	0.00	0.00	0.00	0.00	42.79
Finished Goods	958.45	1773.62	965.22	1343.60	43.02
<b>TOTAL INVENTORIES</b>	1052.07	1970.26	1061.21	1604.30	267.90
Receivables : More than 6 months	98.98	30.78	123.17	109.12	27.07
Receivables : Less than 6 months	2406.58	3201.18	2541.64	2658.49	2269.08
<b>TOTAL RECEIVABLES</b>	2505.55	3231.96	2664.80	2767.61	2296.15
Loans; Advances; current assets related to operations	776.65	64.54	391.79	121.51	529.42
Cash and Bank Balances	6.80	16.62	33.18	41.80	13.23
Advance Tax Paid	25.23	65.12	45.64	7.23	15.08
<b>TOTAL OTHER ASSETS</b>	808.68	146.28	470.61	170.54	557.72
<b>TOTAL CURRENT ASSETS related to operations</b>	4382.59	5348.50	4196.62	4542.45	3121.78
<b>TOTAL ASSETS</b>	4720.57	5688.35	4564.37	4930.33	4329.78

**Comments:**
**Fixed assets**

- SAL's fixed assets primarily comprise of machinery, furniture, air conditioner, computer, buildings and vehicles.
- During FY15, the company made additions to its fixed asset amounting to Rs. 622.73 lakh (Rs. 328.57 lakh during FY14), which majorly comprised machinery, computer, vehicles and others

**Inventories**

Parameters: As on March 31,	2011	2012	2013	2014	2015
Raw and Packing Materials (Rs. lakh)	93.62	196.64	95.99	260.71	182.1
<i>Average Raw Material Inventory Period (days)</i>	0	0	18	27	16
Work in Progress	0	0	0	0	42.79
<i>Average WIP Inventory Period</i>	0	0	0	0	1
Finished Goods (Rs. lakh)	958.45	1773.62	965.22	1343.6	43.02
<i>Average Finished Goods Inventory Period (days)</i>	27	25	25	27	19
Stores and Spares (Rs. lakh)	0	0	0	0	0
<b>Total inventories (Rs. lakh)</b>	1052.07	1970.26	1061.21	1604.3	267.9
<i>Average Inventory Period (days)</i>	27	25	28	32	26
Total inventory as % of total assets	22.29%	34.64%	23.25%	32.54%	6.19%

- Total inventory primarily comprises of finished goods inventory (~16% of total inventory as on March 31, 2015), WIP inventory (~16% of total inventory) and raw material inventory (~68% of total inventory).
- SAL manufactures copper pipes, tubes, flats, coils, rods, nuggets, plates, copper alloys consumables. The company maintains sufficient finished goods inventory for the products to meet demands from customers.

**Sundry debtors**

Parameters: As on March 31,	2011	2012	2013	2014	2015
Total Receivables (Rs. lakh)	2505.55	3231.96	2664.8	2767.61	2296.15
Average Collection Period (days)	202	173	52	62	66
As % of net sales	18.69%	18.13%	13.30%	17.81%	17.34%
As % of total assets	53.08%	56.82%	58.38%	56.13%	53.03%

- SAL's total receivables outstanding as on March 31, 2015 consist primarily of dues receivable from customers that are offered a credit period of 35-50 days. During FY11 to FY15, collection period remained in the range of 27 days to 47 days.

**Ageing analysis of debtors**

Particular	(Rs. Lakh)				
	2014-15	2013-14	2012-13	2011-12	2010-11
More than Six Month	27.07	109.12	123.17	30.78	98.98
Less than Six Month	2269.08	2658.50	2541.64	3201.18	2406.58
<b>Total</b>	2296.15	2767.62	2664.81	3231.96	2505.56

- For the past 5 balance sheet dates ending March 31, 2015 most of the debtor receivables (around 98 %) are due for less than 6 months, however; a detailed debtor ageing schedule was requested by CARE which has not been submitted by SAL.

**Other current assets**
**(Rs. Lakh)**

<b>Parameters: As on March 31,</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Other current assets</b>	808.68	146.28	470.61	170.54	557.72
<b>As % of total assets</b>	17.13%	2.57%	10.31%	3.46%	12.88%
Advance tax paid	25.23	65.12	45.64	7.23	15.08
Income tax	-	-	-	-	-
TDS	-	-	-	-	-
Cash & bank balances	6.8	16.62	33.18	41.8	13.23
<i>Balances with banks in current accounts</i>	0.49	9.17	24.31	38.40	0.93
<i>Cash on hand</i>	6.31	7.45	8.87	3.40	12.30

- Other operating current assets mainly comprise of income tax paid in advance and cash and bank balance.
- Cash and bank balance have increased significantly during FY13 to Rs. 33.18 lakh from Rs. 16.62 lakh in FY12, later on during FY15, it significantly declined to Rs. 13.23 lakh.

**FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES**
**Rs. In Lakh**

<b>Period Ends on:</b>	<b>31 Mar 2011</b>	<b>31 Mar 2012</b>	<b>31 Mar 2013</b>	<b>31 Mar 2014</b>	<b>31 Mar 2015</b>
<b>Result Type:</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>SUMMARY: LIABILITIES</b>					
Total Paid Up Equity Share Capital	140.00	837.16	837.16	837.16	837.16
Share Application Money pending allotment	60.00	0.00	0.00	0.00	0.00
<b>GROSS RESERVES</b>	<b>330.36</b>	<b>697.52</b>	<b>761.51</b>	<b>828.22</b>	<b>900.14</b>
Intangible Assets	0.00	-0.34	-0.38	-0.30	-0.03
Miscellaneous expenses not written off	-0.14	-0.07	0.00	0.00	-5.00
<b>NET RESERVES</b>	<b>330.22</b>	<b>697.11</b>	<b>761.13</b>	<b>827.92</b>	<b>895.11</b>
<b>TANGIBLE NET WORTH</b>	<b>530.22</b>	<b>1534.27</b>	<b>1598.29</b>	<b>1665.08</b>	<b>1732.27</b>
Rupee Term Loans	27.89	23.83	22.49	0.00	186.76
<b>TOTAL LONG TERM DEBT</b>	<b>27.91</b>	<b>23.83</b>	<b>22.49</b>	<b>0.00</b>	<b>186.76</b>
Current Portion of Long Term Debt and Fixed Deposits	-4.06	-9.72	-9.58	0.00	-5.82
<b>NET LONG TERM DEBT</b>	<b>23.85</b>	<b>14.11</b>	<b>12.90</b>	<b>0.00</b>	<b>180.95</b>
Current Portion of Long Term Debt and Fixed Deposits	4.06	9.72	9.58	0.00	5.82
Working capital Bank Borrowings	1260.66	1843.02	1980.07	1479.88	1482.36
Intercompany Borrowings: excluding from affiliates; subsidiaries	1.78	2.38	0.00	0.00	0.00
Loans & Advances from promoters ;other affiliated cos.	403.04	0.00	0.00	0.00	0.00
<b>TOTAL SHORT TERM DEBT</b>	<b>1669.54</b>	<b>1855.12</b>	<b>1991.56</b>	<b>1479.88</b>	<b>1488.17</b>
Creditors for goods	2405.87	2121.63	749.10	1684.50	735.14
Creditors for Expenses	4.38	35.50	23.05	29.74	32.75
Creditors for Capital goods	0.00	0.00	0.20	0.00	0.00



Advances; deposits recd from customers :related to ops.	0.00	18.47	135.01	9.97	21.40
Other Current Liabilities :related to ops.	6.36	1.36	2.43	0.74	55.97
<b>TOTAL OTHER LIABILITIES</b>	<b>2416.61</b>	<b>2176.96</b>	<b>909.79</b>	<b>1724.95</b>	<b>845.27</b>
Provision for Taxes	58.38	83.50	23.00	25.00	15.00
Other Provisions ; regular	7.75	3.46	1.00	2.00	2.00
Total Provisions	66.13	86.96	24.00	27.00	17.00
Total Current Liabilities and Provisions ; related to operations	2482.74	2263.92	933.79	1751.95	862.27
<b>TOTAL OUTSIDE LIABILITIES</b>	<b>1693.39</b>	<b>1869.23</b>	<b>2004.47</b>	<b>1479.88</b>	<b>1707.09</b>
<b>TOTAL LIABILITIES</b>	<b>4720.57</b>	<b>5688.35</b>	<b>4564.37</b>	<b>4930.33</b>	<b>4329.78</b>

**Comments:**

**Equity share capital**

- SAL has an authorized share capital of 2,00,00,000 equity shares with nominal value of Rs.10/- each. It has an issued, subscribed and paid up capital of 83,71,600 equity shares of Rs. 10/- each fully paid up as on March 31, 2015.

**Long-term borrowings**

- The long term borrowings of the company as on March 31, 2015 mainly comprise of intercorporate borrowings.
- The total long term debt outstanding as on March 31, 2015 consists of term loans (worth Rs.186.76 Lakh) which is intercorporate borrowings.

**Short term borrowings**

- Short term debt consists of cash credit facility having total sanctioned limit of Rs.1500.00 Lakh (worth Rs.1482.00 Lakh outstanding as on March 31, 2015) which are availed to meet the company's working capital requirements since considerable funds are being blocked in receivables and inventory.
- Total short term borrowings also include current portion of the long term debt which is payable within the next financial year.

**Trade payable**

Parameters	March 2011	March 2012	March 2013	March 2014	March 2015
Trade payable (Rs. lakh)	2405.87	2121.63	749.1	1684.5	735.14
<i>Average Creditors Period (days)</i>	41	47	27	29	35
As % of total liabilities	50.97%	37.30%	16.41%	34.17%	16.98%

- SAL's trade payables outstanding as on March 31, 2015 include creditors for goods, creditors for expenses and creditors for capital goods. The average creditor period stood at 35 days in FY15 (compared to 29 days in FY14) as SAL receives credit period of about 30 days from its suppliers.

**Short term provision**
**(Rs. Lakh)**

Parameters	March 2011	March 2012	March 2013	March 2014	March 2015
<b>Total short term provisions</b>	66.13	86.96	24.00	27.00	17.00
Provision for income tax	58.38	83.50	23.00	25.00	15.00
Other Provision	7.75	3.46	1.00	2.00	2.00
As % of total liabilities	1.40%	1.53%	0.53%	0.55%	0.39%

- Total short term provision mainly comprises provision for income tax (as on March 31, 2015).

**Details of the related party transactions**
**(Rs. Lakh)**

Sr. No.	Name of related Party	Nature of transaction	March 2015	March 2014	March 2013	March 2012	March 2011
1.	Asamalji Mehta	Interest	-	-	-	0.02	0.45
		Remuneration	9.00	7.20	5.40	5.40	5.10
2.	Asamalji Mehta (HUF)	Interest	-	-	-	0.89	0.99
3.	Harish Mehta	Interest	-	-	-	1.00	0.17
		Remuneration	9.00	6.30	3.00	3.00	2.70
4.	Jayeshkumar Mehta	Interest	-	-	-	1.76	1.01
		Remuneration	9.00	7.20	5.40	5.40	5.10
5.	Jayeshkumar Mehta (HUF)	Interest	-	-	-	2.35	-
6.	Ramesh Mehta	Interest	-	-	-	0.96	1.35
7.	Rekha Mehta	Interest	2.28	2.28	3.00	1.81	0.62
8.	Sagardeep Engineers Pvt Ltd	Interest & Loan	510.20	-	-	0.04	-
9.	Sangita Mehta	Interest	-	-	-	0.62	0.56
		Share Transfer	1.75-	-	-	-	-

10.	Satish A Mehta (HUF)	Interest	-	-	-	2.55	-
11.	Satish Mehta	Interest	-	-	-	3.40	0.71
		Rent	-	-	1.87	1.87	2.09
		Remuneration	9.00	7.20	5.40	5.40	5.10
		Share Transfer	3.25	-	-	-	-
12.	Seiko Metal & Tubes	Interest	-	-	-	0.01	-
13.	Simandhar Impex	Interest	-	-	-	0.19	1.10
14.	Swiss Impex	Interest	-	-	-	-	0.11
		Purchase	-	-	-	-	100.19
15.	Ugamben Mehta	Interest	-	-	-	0.04	0.30

**Dividend Policy**

The company has not declared any dividend till date.

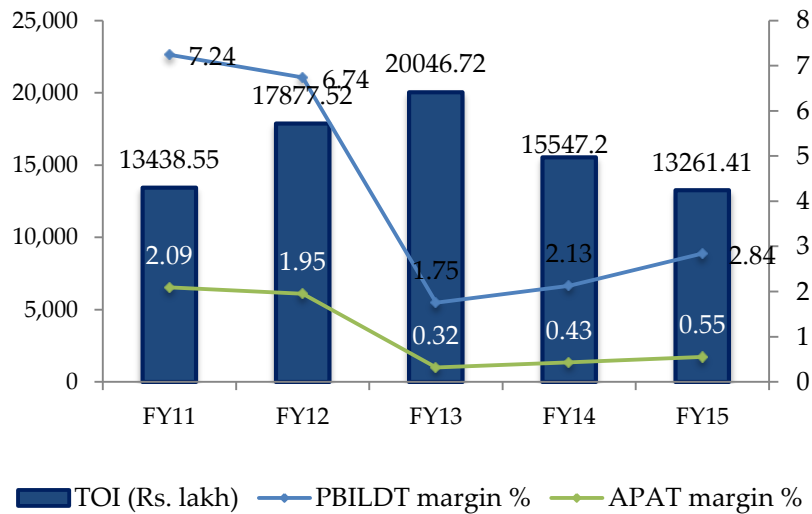
**FINANCIAL PERFORMANCE - SUMMARY OF RATIOS**

Period Ends on:	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
<b>Result Type:</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>KEY FINANCIAL RATIOS</b>					
<b>Growth Ratios</b>					
Growth in Net sales	239.02	32.96	12.42	-22.43	-14.80
Growth in Total Operating Income	238.68	33.03	12.13	-22.45	-14.70
Growth in PBILDT	231.05	40.89	-28.98	-5.58	13.86
Growth in APAT	472.70	34.63	-65.87	4.26	9.40
<b>Profitability Ratios</b>					
Gross Margin	6.51	6.71	5.22	6.93	13.84
Gross Margin on traded goods	5.88	4.79	6.61	12.03	17.62
PBILDT Margin	2.61	2.76	1.75	2.13	2.84
PBIT Margin	2.54	2.70	1.69	2.05	2.57
OPBT Margin	1.54	1.58	0.43	0.54	0.61
OPAT Margin	1.03	1.06	0.29	0.37	0.54
APAT Margin	1.04	1.05	0.32	0.43	0.55
Operating ROCE	17.81	16.58	9.62	9.45	10.47
ROCE (Total)	19.11	16.90	9.87	9.78	10.42
RONW	31.72	18.16	4.09	4.09	4.30
Average Cost of Borrowings	9.89	11.27	12.99	13.51	16.54
<b>Turnover Ratios</b>					
Operating Capital Turnover Ratio	7.65	6.31	5.70	4.61	4.07
Fixed Assets Turnover Ratio	49.19	50.67	55.35	41.52	24.39
Working Capital Turnover Ratio	9.01	7.17	6.32	5.14	5.25
Average Raw Material Inventory Period	6	13	18	27	16
Average WIP Inventory Period	NM	NM	NM	NM	1
Average Finished Goods Inventory Period	20	28	25	27	19
Average Inventory Period (days)	21	31	28	32	26
Average Collection Period (days)	48	57	52	62	66
Average Creditors Period (days)	41	47	27	29	35
Working Capital Cycle (days)	28	41	53	64	57
<b>Solvency Ratios</b>					
Debt Equity Ratio	0.05	0.02	0.01	0.00	0.11
Overall Gearing Ratio (Including	3.19	1.22	1.25	0.89	0.96

Acceptances / Creditors on LC)					
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	3.19	1.22	1.25	0.89	0.96
Adjusted Debt Equity Ratio	0.05	0.02	0.01	0.00	0.15
Adjusted Overall Gearing	3.20	1.22	1.25	0.89	1.37
Term Debt (including CPLTD) / Gross Cash Accruals	0.17	0.12	0.27	0.00	1.80
Total Debt / Gross Cash Accruals	10.59	9.10	24.17	17.43	16.07
Interest Coverage (PBILDT / Interest)	2.61	2.46	1.39	1.41	1.45
PBIT / Interest	2.54	2.40	1.35	1.35	1.31
Adjusted Interest Coverage	2.61	2.46	1.39	1.41	1.45
Current Ratio	1.06	1.30	1.43	1.41	1.33
Quick Ratio	0.80	0.82	1.07	0.91	1.21

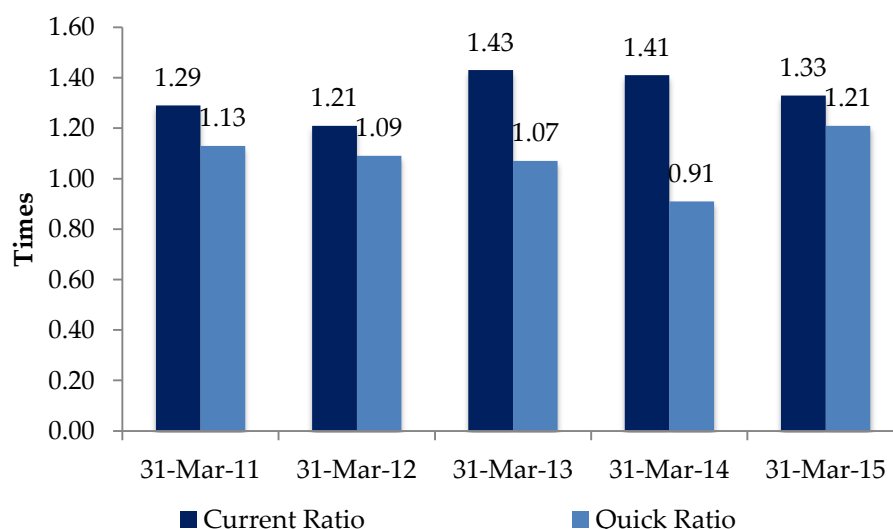
FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis



Comments:

SAL is engaged into manufacturing of copper pipes, tubes, flats, coils, rods, nuggets, plates, copper alloys consumables and trading of Ferrous and Non Ferrous Metals and Alloys to its domestic customers. In FY15, TOI of SAL declined by 15% on y-o-y basis on account of lower sales volume due to subdued demand scenario and SAL’s policy of going selective in orders to secure minimum margins. However, SAL’s increased focus on its manufacturing activities resulted in improvement in PBILDT margin by 71 bps in FY15. Furthermore, PAT margin also improved marginally by 12 bps in FY15.

**FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS**
**Liquidity Analysis**

**Liquidity Ratio**

Particulars	March 31, 2013	March 31, 2014	March 31, 2015
Working Capital Turnover Ratio	5.70	5.14	5.25
Average Raw Material Inventory Period	18	27	16
Average WIP Inventory Period	NM	NM	1
Average Finished Goods Inventory Period	25	27	19
Average Inventory Period (days)	28	32	26
Average Collection Period (days)	52	62	66
Average Creditors Period (days)	27	29	35
Working Capital Cycle (days)	53	64	57

**Comments:**

Operations of SAL are working capital intensive in nature where ~70% of its total capital was employed in net working capital. Though, its operating cycle improved to 57 days on back of lower traded goods inventory and higher suppliers credit, its liquidity continue to remain moderate. Further, as informed by the banker, utilization of SAL's working capital limits remained almost fully utilized for the trailing twelve months ending December 2015.

**Average monthly fund-based (Cash Credit) working capital utilization level**

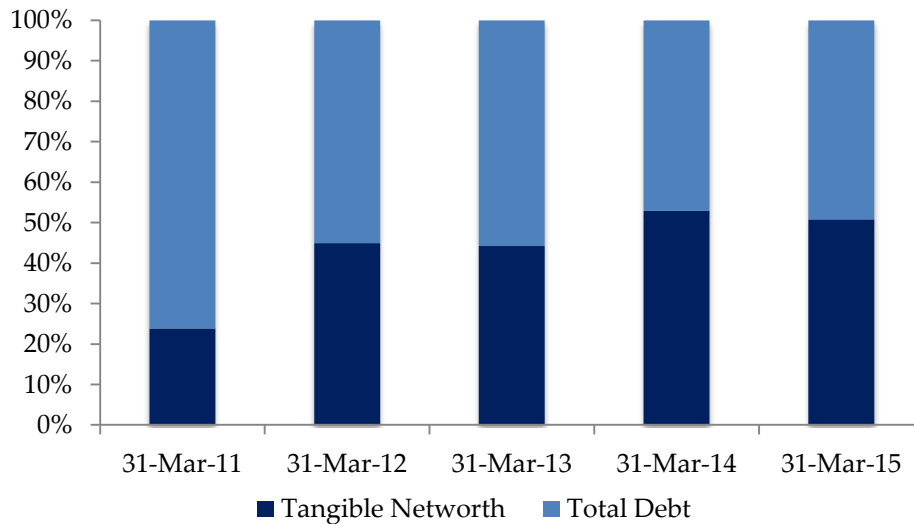
Month	Sanctioned Limits	Maximum monthly utilisation	Average monthly utilisation
March 2015	15.00	14.96	14.52
April 2015	15.00	14.99	14.34
May 2015	15.00	14.85	14.13



June 2015	15.00	14.44	13.94
July 2015	15.00	14.92	14.02
August 2015	15.00	14.77	14.01
September 2015	15.00	14.93	14.52
October 2015	15.00	14.49	12.49
November 2015	15.00	14.67	13.23
December 2015	15.00	14.51	13.61
January 2016	15.00	14.83	14.58
February 2016	15.00	14.82	14.06

**FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY**

**Capital Structure**



**Capital Structure Ratio**

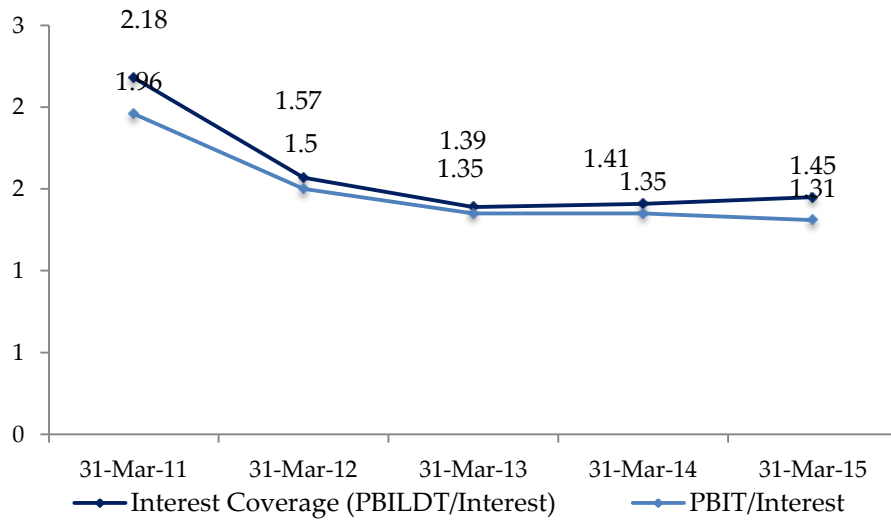
Particulars	Mar 31, 2013	Mar 31, 2014	Mar 31, 2015
Debt Equity Ratio	0.01	0.00	0.11
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.25	0.89	0.96
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	1.25	0.89	0.96
Adjusted Debt Equity Ratio	0.01	0.00	0.15
Adjusted Overall Gearing	1.25	0.89	1.37
Average Cost of Borrowings	12.99	13.51	16.54
Total Outside Liabilities to Net worth	1.25	1.92	1.47

**Comments:**

The long term debt level seems to be favorable marked by debt equity ratio of 0.11 times as on March 31, 2015. The debt equity ratio in the past 3 years remained in the range of 0.00 to 0.11 times. The overall gearing level was comfortable at 0.96 times as on March 31, 2015. With comfortable gearing level and low creditor days in the range of 27 to 35 days, total outside liabilities as compared to total net worth remained low at 1.45 times as on the latest balance sheet date.

**FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS**

**Debt Coverage**



**Comments:**

The debt protection metrics is marked by very low of interest coverage of 1.45 times and total debt to cash accruals at 16.07 times for the year ended March 31, 2015 due to low profit margins and comfortable gearing level.

**RECENT FINANCIALS**

As per the management, during 6MFY16 (April 1, 2015 to September 30, 2015), SAL has reported TOI of Rs. 6121.09 lakh and PAT of Rs. 7.33 lakh.

**BANKERS & AUDITORS DUE DILIGENCE**

Stake holder		Feedback
Bankers & Lenders- Bank of Baroda	Mr. Mukesh Chaudhary	Satisfactory
	Branch Manager	
	7927551012	
Auditor M/s Piyush j Shah & Co.	Mr. Piyush j Shah	Satisfactory
	Partner	
	9825027370	

**Remarks**

- The account was regular with Bank of Baroda. The banker has expressed satisfaction over the conduct of the account. The company has cash credit facility id Rs. 1500.00 lakh with Bank of Baroda and there have not been any instances of overdrawing in the account.

**Key Findings**

<b>Key Findings</b>	<b>Company Comment</b>	<b>CARE Comment</b>
<p><b>High reliance on promoter family in key decision making.</b></p> <p><b>Majority of the critical decisions in the company are being taken by promoter family</b></p>	<p>As per the management, SAL employs considerable number of qualified professionals for overlooking operations. The total number of employees with the company at registered office stood at 5 which houses qualified professionals such as management graduates and post graduates having significant experience in financial market.</p>	<p><i>Though the SAL has qualified personnel to manage operations but the key decisions are taken by promoters only. Going forward, the ability of the company to separate management and ownership function remains to be seen.</i></p>
<p><b>Moderate utilization of production capacity (around 73% at plant)</b></p>	<p>As per the management, SAL capacity utilization is as per industry standards, however management expects better utilization going further.</p>	<p><i>CARE believes that capacity of the plant is increasing year on year as it was 25% in FY14 which increased to 73% in FY15</i></p>
<p><b>Marginal decline in revenue during FY15 as compared to FY14</b></p>	<p>As per the management, total sales declined during FY15 due to sluggish market conditions and less orders received by company.</p>	<p><i>CARE understands that lower sales volume due to subdued demand scenario and SAL's policy of going selective in orders to secure minimum margins..</i></p>
<p><b>High reliance on WC Bank borrowings</b></p>	<p>The management has stated that it has to make payment to suppliers within 30 days for raw material purchased and other hand it takes around 60 days to recover money from customers which make them to rely on the WC bank borrowing to support it operations.</p>	<p><i>CARE understands that in order to maintain competitiveness, SAL will offer its customers a high credit period. However, ability of the company to manage the working capital cycle efficiently with minimize the use of working capital limits would be critical.</i></p>

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