

13 June 2019

To
Bombay Stock Exchange Limited
Dept. of Corporate Services
Floor 25, Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai :: 400 001

BSE Scrip Code : 533014

Dear Sirs,

Sub: Submission of Credit Rating Report

We herewith submit a copy of the credit rating review report (press release) received from M/s.CARE Ratings Ltd for your records please.

Thanking you,

Yours faithfully,
For Sicagen India Limited


G Arunmozhi
Company Secretary & Compliance Officer

To
National Stock Exchange of India Ltd
Listing Dept.
Exchange Plaza, Bandra Kurla Complex
Bandra [E]
Mumbai :: 400 051

NSE Scrip Code :SICAGEN



Sicagen India Ltd.

Registered & Corporate Office :

4th Floor, Spic House, 88, Mount Road, Guindy, Chennai-600 032, INDIA

Tel : +91 44 4075 4075 | Fax : +91 44 4075 4999 | info@sicagen.com

CIN : L74900TN2004PLC053467 | www.sicagen.com

No. CARE/CRO/RL/2019-20/1108

Mr. Balagopal D
CFO
Sicagen India Limited
4th Floor, SPIC House, 88, Mount Road,
Guindy, Chennai 600032

June 12, 2019

Confidential

Dear Sir,

Credit rating for facilities

Please refer to your request for rating the facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short term Facilities	35.00	CARE A4+ (A Four Plus)	Assigned
Long term/ Short term Bank Facilities	45.00	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)	Assigned
Total facilities	80.00 (Rupees Eighty crore only)		

3. Refer Annexure 1 for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is June 06, 2019).

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure 2. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not

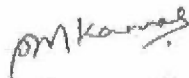
¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

hear from you by June 13, 2019, we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are not recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,



Kannan M
Analyst

kannan.m@careratings.com



Vidhyashankar C
Senior Manager

vidhyashankar.c@careratings.com

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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of Rated Facilities

1. Short term facilities

1.A. Fund based limits

Sr. No.	Lender	Facility	Rated Amount (Rs. Crore)
1.	Axis Bank	Channel Financing	20.00
2.	Tata Capital Financial Services Ltd	Channel Financing	15.00
	Total		35.00

Total short term facilities (1.A.) Rs.35.00 crore

2. Long term /Short term Facilities

2.A. Fund based limits

Sr. No.	Lender	Nature of Facility	Rated Amount* (Rs. Crore)
1.	Andhra Bank	Cash Credit	37.00
	Total		37.00

*includes sub-limit of Rs.5 crore of Letter of Credit (LC) and Rs.2 crore of Bills discounting

2.B. Non Fund based limits

Sr. No.	Lender	Nature of Facility	Rated Amount (Rs. Crore)
1.	Andhra Bank	Bank Guarantee	8.00
	Total		8.00

Total long term/short term facilities (2.A.+2.B.) Rs.45.00 crore

Annexure 2
Press release
Sicagen India Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short term Facilities	35.00	CARE A4+ (A Four Plus)	Assigned
Long term/Short term Bank Facilities	45.00	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)	Assigned
Total Facilities	80.00 (Rupees Eighty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Sicagen India Limited (SIL) are constrained by low profitability margins due to majorly trading business resulting in moderate debt coverage indicators and working capital intensive nature of operations. The ratings are further constrained by the susceptibility of the profit margins to the inherent volatility associated with traded goods prices and its presence in the highly competitive & fragmented industry.

The ratings, however, derive strength from the diversified revenue stream to an extent and comfortable capital structure.

Going forward, ability of the company to improve profitability & accruals, maintain comfortable capital structure, improve debt coverage metrics and maintain prudence in investments in its related group entities will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Low profitability margins leading to moderate debt coverage metrics

During FY19, SIL's total income on consolidated basis grew 10.9% y-o-y to Rs.826 crore from Rs.745 crore in FY18, driven by the growth in subsidiary Wilson Cables Pvt. Ltd's business. PBILDT margin stood low at 1.10% in FY19 (PY: 1.13%), due to trading nature of business and continuing losses at another subsidiary Danish Steel Cluster Pvt. Ltd. For FY19, PAT was Rs.0.1 crore (PY: Rs.1.1 crore) and GCA was Rs.6.4 crore (PY: Rs.6.4 crore). Due to low cash accruals, the company's debt coverage metrics remain moderate. Interest coverage indicator remained low at 1.00x (PY: 0.93x) for FY19 and total debt/GCA stood at 18.52 years as on 31 March 2019 (PY: 15.21 years). The company depends on other income sources such as interest income, dividend income, and liquid investments to service its debt obligations.

Working capital intensive nature of operations

The nature of the business undertaken by SIL is working capital intensive given that majority of business being trading. In building materials division, the company offers credit period of 60-90 days to its customers, while it receives credit period of around 30 days from the suppliers. On the consolidated basis, working capital cycle remains stretched at 102 days as on March 31, 2019 (PY: 109 days) due to high credit period given to the customers to support sales.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Susceptibility of margins to volatility in price of steel products

Nearly 50% of the SIL's income is derived from trading of steel pipes and other steel products. The steel industry is cyclical in nature with correlation to economic cycle; hence earnings remain susceptible to fluctuations in steel prices. The company procures steel products from the suppliers based on expected demand and are not completely backed by orders. Therefore, the company has to absorb any fluctuations in traded goods' prices that might occur from the time of material procurement until dispatch to customers.

Competition from unorganized players

The presence of many unorganized players and the fragmented nature of the building materials industry pose a challenge to SIL. With respect to building materials division, SIL has long-standing relationship with majority of its suppliers and has strong network of 25 sales offices cum warehouses across India. SIL sources materials from different manufacturers and supplies to its customers. Major suppliers include TATA, JSW, Jindal and Steel Authority of India in Steel & pipes; Finolex in cables; Jain, Astral and Ajay in PVC; Dalmia and Penna in cement, while its customer base includes contractors, builders and industrial buyers. Despite that due to low entry barriers, the industry remains highly competitive, resulting in intense price competition. SIL's other major business divisions – manufacturing of cables, drums and specialty chemicals, are also exposed to competition from other market players and unorganized players.

Key Rating Strengths

Diversified revenue stream

SIL, on a consolidated basis has a diversified stream of revenue with trading goods contributing around 70% and manufacturing goods contributing around 28% to the consolidated total income for FY19. In terms of divisions, building materials trading division contribute 68% (PY: 66%), cables manufacturing division contribute 19% (PY: 19%) and rest of income are from manufacturing of specialty chemicals & drums, steel fabrication and trading & servicing of governor instruments. Diversity in trading & manufacturing portfolio lessens the company's concentration risks as well cyclicity associated with a particular commodity or industry.

Comfortable capital structure

The capital structure of the company remains comfortable with healthy Net worth of Rs.381 crore (as on March 31, 2019) and low leverage levels. As on March 31, 2019, the overall gearing stood at 0.31x (PY: 0.25x) and LT Debt Equity ratio stood at 0.02x (PY: 0.03x). Out of the total debt as on March 31, 2019 (Rs.118 crore), working capital borrowing constitutes 92% and remaining is term debt.

Liquidity profile

On a standalone basis, total cash & bank balance stood at Rs.52.8 crore as on March 31, 2019 as against Rs.13.1 crore as on March 31, 2018. The increase in cash balance is primarily due to the sale of a land asset amounting Rs.42 crore in H2FY19. In the past 12 months period ended April 2019, average utilization of its cash credit facility stood at 69.70% and maximum utilization stood in the range of 55.69% to 95.23%.

Analytical approach: Consolidated financials of Sicagen India Limited (SIL) along with its wholly-owned subsidiaries Wilson Cables Private Limited (WCPL), Danish Steel Cluster Private Limited (DSCPL) and South India House Estates and Properties Limited. For FY19, SIL contributed 65%, WCPL 32% and DSCPL 3%, to the consolidated revenue of SIL.

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Rating Criteria - Short Term Instruments

CARE's Policy on Default Recognition
Rating Methodology - Manufacturing Companies
Rating Methodology - Wholesale Trading
Financial ratios (Non-Financial Sector)

About the Company

Sicagen India Limited (SIL) is a public limited company (listed on NSE and BSE), incorporated in June 2004. SIL was de-merged from Sical Logistics Limited with effect from October 1, 2006. SIL is part of AM International group, Singapore (MA Chidambaram group). SIL operates across diversified businesses including trading of building materials (majorly steel pipes/tubes, TMT bars & cables), sales & servicing of governor instruments and manufacturing of drums, barrels, boats & specialty chemicals. SIL has manufacturing units for specialty chemicals (in Pondicherry) and drums (In Chennai).

SIL has 3 subsidiaries - Wilson Cables Private Limited (WCPL), a Singapore-based manufacturer of cables for industrial and other critical applications; Danish Steel Cluster Private Ltd (DSCPL), a Bengaluru-based company specializing in precision fabrication of stainless steel; and South India House Estates and Properties Ltd, which maintains land assets.

Brief Financials (Consolidated) (Rs. crore)	FY18 (A)	FY19 (A)*
Total income	745	826
PBILDT	8	9
PAT	1	0.1
Overall gearing (times)	0.25	0.31
Interest coverage (times)	0.93	1.00

A: Audited *FY19 financial results submitted by the company to the stock exchanges

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to core@careratings.com for any clarifications.

Analyst Contact:

Name: Mr. Sudhakar P

Tel: 044 - 2850 1003

Email: p.sudhakar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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