

# SUPERSHAKTI METALIKS LIMITED

Registered Office : 'PREMLATA', 39, Shakespeare Sarani, 3rd. Floor, Kolkata-700 017, West Bengal, India. Telephone: +91 81 22102034/35/36  
Date: 15 November, 2020

To,  
The Corporate Relationship Department  
Bombay Stock Exchange Ltd.  
P.J. Towers, Dalal Street,  
Mumbai - 400001

**Ref No: SML/LODR/GENERAL/002/2020-21**

**BSE Scrip Code: 541701**

**Sub: Affixing Copy of Credit Rating**

Dear Sir/Madam,

With reference to our letter No. SML/LODR/GENERAL/001/2020-21 dated 24/11/2020, we are affixing herewith the Copy of the Care Ratings for Bank Facilities received from CARE Ratings Ltd.

You are requested to kindly take the above information on your records.

Thanking You,

For SUPERSHAKTI METALIKS LIMITED

  
NAVIN AGARWAL  
(Company Secretary & Compliance Officer)  
Membership No.: 17290



No. CARE/KRO/RL/2020-21/1940

**Shri Shyam Somani**  
Chief Financial Officer  
Supershakti Metaliks Limited  
Premlata Building, 3rd Floor,  
39 Shakespeare Sarani  
Kolkata  
West Bengal 700017

November 24, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

Please refer to your request for rating the bank facilities of your Company

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

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	62.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Short Term Bank Facilities	50.00 (Enhanced from 25.00)	CARE A2 (A Two)	Assigned
Total Facilities	112.00 (Rs. One Hundred Twelve 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 November 19, 2020).
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

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.  
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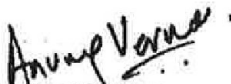
inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 25, 2020, we will proceed on the basis that you have no any comments to offer.

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. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
12. 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.

 CARE Ratings Limited 

Thanking you,

Yours faithfully,

  
Anurag Verma  
Analyst  
anurag.verma@careratings.com

  
Anil More  
Senior Manager  
anil.more@careratings.com

Encl.: As above

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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**Annexure 1  
Details of all Bank Facilities**

**1. Long Term Facilities**

**1.A. Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Indian Overseas Bank	44.00	Cash Credit
2.	Union Bank of India	10.00	
3.	Bank of Baroda	8.00	
	<b>Total</b>	<b>62.00</b>	

**Total Long Term Facilities : Rs.62.00 crore**

**2. Short Term Facilities**

**2.A. Non-Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Bank of Baroda	10.00	BG/LC* (Upto 180 days)
2.	Union Bank of India	10.00	BG/LC* (Upto 360 days)
3.	Indian Overseas Bank	5.00	BG/LC* (Upto 180 days)
	<b>Total</b>	<b>25.00</b>	

*\*Bank Guarantee/Letter of credit*

**2.B. Non-Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Proposed	25.00	BG*
	<b>Total</b>	<b>25.00</b>	

*\*Bank Guarantees*

**Total Short Term Facilities : Rs.50.00 crore**

**Total Facilities (1.A+2.A+2.B) : Rs.112.00 crore**

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**Annexure 2**  
**Press Release**  
**Supershakti Metaliks Ltd**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	62.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Short Term Bank Facilities	50.00 (Enhanced from 25.00)	CARE A2 (A Two)	Assigned
Total Facilities	112.00 (Rs. One Hundred Twelve Crore Only)		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Supershakti Metaliks Ltd (SML) takes into account extensive experience of the promoters in the iron and steel industry, strategic location of manufacturing units, satisfactory capacity utilization, satisfactory capital structure and debt protection metrics marked by low debt levels and healthy liquidity position. The ratings are however constrained by low operating margins, exposure in group Company, susceptibility of profit margin to volatility in input and finished goods costs and presence in inherently cyclical steel industry.

**Rating Sensitivities**

**Positive Factor**

- Improvement in scale of operation above Rs.600 crs on sustainable basis.
- Improvement in PBILDT margin above 7% on a sustained basis.

**Negative Factor**

- Decline in scale of operations below Rs.400 crore and PBILDT margin below 4% on a sustained basis
- Deterioration in overall gearing and TD/GCA above 0.50x and 2x respectively on a sustained basis
- Any substantial debt-funded capex undertaken by company.
- Any substantial increase in exposure to group entities

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Extensive experience of promoters in iron and steel industry***

Supershakti Metaliks Ltd is a part of SAI group promoted by Mr. Sitaram Agarwal, who has an experience of more than three decades in the iron and steel industry. The day to day operations of SML are looked after by Mr. Dilipp Agarwal & Mr. Deepak Kumar Agarwal

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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(sons of Mr. Sitaram Agarwal), having experience of over two decades in the steel industry. Further, they are supported by a team of professionals.

***Location advantage in terms of proximity with source of raw materials as well as end user market for finished goods***

The plant location is favourable in terms of nearby availability of raw materials. Since, the neighbouring states like Jharkhand and Odisha are enriched with iron ore, the steel industry has been flourishing in the region which ensures the abundant supply of raw materials in the nearby area resulting in cheaper transportation cost. SML is procuring around 70% to 80% of its raw material requirements (mainly sponge Iron) from its group company Super Smelters Ltd (SSL) which is at a distance of only 35km from SML's plant. Further, SML's customers are also largely located in the state of West Bengal and nearby area resulting in low transportation cost and timely delivery of products.

***Satisfactory capacity utilization during the last three fiscals (FY18-FY20)***

The operations of SML are partially integrated as billets required for manufacturing of Wire rods and HB Wire are manufactured in house. The capacity utilization of both billets as well as rolled products (Wire rods & HB Wire) remained satisfactory during the last three fiscals (FY18 to FY20). Although the volumes were impacted during Q1FY21 on account of Covid induced lockdown and slowdown, however it has recovered in Q2FY21.

***Satisfactory capital structure and debt protection metrics backed by low debt levels***

SML doesn't have any term loans apart from vehicle loans and the debt largely constitutes working capital debt. Capital structure of the company has improved, with overall gearing improving from 0.78x as on Mar'18 to 0.24x as on Mar'20 due to raising of equity upon listing in FY19, accretion of profits coupled with lower utilisation of working capital limits. Accordingly, lower total debt coupled with healthy cash profits led to improvement in TD/GCA from 2.36x in FY18 to 1.74x in FY20. The capital structure is expected to remain comfortable in the near term due to absence of any debt funded capex by the company.

***Moderate financial performance with low operating margins***

SML reported a growth in revenue by ~47% in FY19 over FY18 on account of both higher sales volume and realizations due to buoyant demand from the end user industries. However, the same declined by 11.53% in FY20 largely due to lower realizations. Despite increase in revenue in FY19, PBILDT margin moderated from 7.28% in FY18 to 4.91% in FY19 due to increase in the raw material cost vis-à-vis increase in realizations. The PBILDT margin further moderated to 2.77% in FY20 incidental to slowdown in the economy and subdued demand for iron and steel. However, the sequential impact of same on PAT was relatively lower and PAT margin decline from 3.32% in FY19 to 2.50% in FY20 mainly on account of excise duty refund. In H1FY21 the company's operation was shut till first week of May 2020 pursuant to covid-19 lockdown and it reported turnover of Rs.152.42 crs as against

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Rs.263.18 crs in H1FY20. However, the PBILDT margin stood at 4.59% in H1FY21 as against 4.26% in H1FY20.

#### **Key Rating Weaknesses**

##### ***Exposure to group entity***

SML has made an equity investment of Rs.30 cr in FY20 in its group company Giridhan Metal Pvt Ltd (GML) which is setting up a steel plant. Further, ~Rs.16 cr was given as advance to group company as on Mar 31, 2020 (as against Rs.7.67 crs as on Mar 31, 2019) for procuring raw material which is in the normal course of business. Any sharp increase in exposure to any group entity will be a key rating monitorable.

##### ***Profitability susceptible to volatility in raw-material and finished good prices***

Raw-material and power are the largest component of total cost of sales of steel products. Over the last three fiscals raw material consumption remained in the range of 60-70% of total cost of sales and power cost remained in the range of 17-23% of total cost of sales. The company procures power from WBSEDCL. Given that raw-material forms major cost component and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material and finished goods prices.

##### ***Cyclical nature of the steel industry***

Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The prevailing slowdown in automobile sector is one of the key reasons for subdued performance of steel sector in FY20. Further, in the current year the Covid-19 pandemic has crippled demand in major steel-consuming sectors and impacted steel production globally.

##### ***Industry Outlook***

CARE expects domestic steel production and consumption to remain steady in H2FY21. For FY21 steel production to be lower by 10-12% and consumption to be lower by 14-17%, mainly impacted by poor first half. While large players have reported faster return to normalcy after covid-19 impact, the recovery by smaller players are expected to be long and protracted due to their limited diversification and weaker financial flexibility.

##### **Liquidity analysis: Adequate**

The liquidity position of the group remained satisfactory as evident from fund based working capital limit which stood at 29% during last 12 months ended Sept 2020 indicating availability of unutilized limit. Further the liquidity is also supported by company's free cash & liquid investment of Rs.16.90 crore as on Sept 30, 2020. During FY20, the company generated GCA of Rs.15.60 crs in FY20 against a debt repayment of Rs.0.65 crs (for vehicle loan).

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**Analytical approach: Standalone**

**Applicable Criteria**

Criteria on assigning 'outlook' and 'credit watch'  
CARE's Policy on Default Recognition  
Financial ratios – Non-Financial Sector  
Liquidity Analysis of Non-Financial Sector Entities  
Rating Methodology - Steel Companies  
Criteria for Short Term Instruments  
Rating Methodology-Manufacturing Companies

**About the Company**

Incorporated in 2012, Supershakti Metaliks Ltd (SML), part of Sai Group promoted by Mr. Sitaram Agarwal. The company has facilities for manufacturing 135,000 tonnes per annum (TPA) of Billets and 162,000 TPA of rolled products at Durgapur, West Bengal. Two other manufacturing group companies, Super Smelters Ltd and Sai Electrocasting Private Limited (SEPL) are located at Jamuria in West Bengal and Koderma in Jharkhand, respectively. All the three companies in the group use Super Shakti brand to market their products.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	530.24	469.09
PBILDT	26.06	12.98
PAT	17.58	11.73
Overall gearing (times)	0.07	0.24
Interest coverage (times)	11.00	3.61

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	62.00	CARE BBB+; Stable

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Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	25.00	CARE A2
Non-fund-based - ST-Bank Guarantees	-	-	-	25.00	CARE A2

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	62.00	CARE BBB+; Stable	-	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	25.00	CARE A2	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	25.00	CARE A2	-	-	-	-

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple
3.	Non-fund-based - ST-BG/LC	Simple

*Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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## Contact us

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### 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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)

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