



Press Release

Shree Banke Bihari Ispat Private Limited (SBB IPL)

October 20, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Facility- Cash Credit	9.5	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Long Term Fund Based Facility – Term Loan	5.39	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Total	14.89		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Shree Banke Bihari Ispat Private Limited (SBB IPL) derives comfort from its experienced promoter alongside experienced management team, healthy revenue growth albeit moderate profit margins, healthy financial risk profile and healthy capital structure.

However, the rating strengths are constrained by high competition and cyclical nature in the steel industry.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter & management team



Press Release

The group is being managed by experienced promoters and directors who collectively have a rich experience of more than two decades in the steel industry and is instrumental in development of the group. Having operated in industry since years now, the management has established a strong network with suppliers and customers. Beside the promoter, the group has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall operations and day-to-day management.

Healthy revenue growth albeit moderate Profit margins

The group's topline is on a steady increase with a CAGR of ~23% in the last three years ended FY2020 (provisional) on the back of steady increase in operations and the group has established a good presence in the regions it operates, given the promoters' strong relationships established with its clients over the years. The group's profit margins are steady and have witnessed an improving trend as they have increased to 3.97% in FY2020 (FY19: 2.77% and FY18: 1.76%).

Healthy financial risk profile and capital structure

The financial risk profile of the group is marked by moderate capital structure. The group's net worth stood at Rs. 45.96 crore as on March 31, 2020 (provisional). The overall gearing stood moderate at 0.57x as on March 31, 2020 (provisional). The total indebtedness of the group as reflected by TOL/ATNW remained moderate at 0.72x due to high debt repayment outstanding. To arrive at the tangible net worth Infomerics has considered unsecured loans aggregating to Rs. 20 crore as quasi-equity. Further, the debt protection metrics also remained healthy with interest coverage at 2.47x in FY20 (2.60x in FY19 and 2.20x in FY18).

Key Rating Weaknesses

High competition and cyclicity in the steel industry

The group is exposed to risks such as global steel industry performance, local regulations/duties, trade wars, etc. However, the group has been able to establish a strong presence with the quality of its products. The steel industry is also cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices.



Press Release

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined the financial risk profiles of Shree Rupanadham Steel Private Limited and Shree Banke Bihari Ispat Private Limited together referred to as the Shree Banke Bihari Group as these entities are running under a common management, have strong operational and financial linkages. Shree Rupanadham Steel Private Limited has also been provided unsecured loans by Shree Banke Bihari Ispat Private Limited. The list of the companies is in **Annexure 2**.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The current ratio remained comfortable at 1.36x as on March 31, 2020 and 1.37x as on March 2019. The group's cash flow from operation also remain adequate. The liquidity of the group is expected to remain Adequate in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. The average fund based working capital utilisation during the last twelve months ended July 2020 remained at around 79.68%.

About the Company

Incorporated in 2004, Shree Banke Bihari Ispat Private Limited, a part of Shree Banke Bihari group is in the secondary steel business for more than a decade with expertise in manufacture of sponge iron and mild steel (MS) billets with installed capacity of 58360 MT per annum. The facility is located at Saraipali, Raigarh.

About the Group

Mr Bhola Prasad Agrawal incorporated Shree Banke Bihari Group in 2004. This Raigarh, Chhattisgarh based group manufactures sponge iron and mild steel (MS) billets. Mr Bhola Prasad Agrawal and his sons - Mr Pawan Agarwal, Mr Mayan Agarwal and Mr Ajay Agarwal - currently manage the business.

Financials (Combined):

(Rs. crore)



Press Release

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	160.37	155.75
EBITDA	4.44	6.17
PAT	1.35	2.36
Total Debt	18.47	36.12
Tangible Net worth	40.70	45.96
Ratios		
EBITDA Margin (%)	2.77	3.97
PAT Margin (%)	1.25	1.91
Overall Gearing Ratio (x)	0.38	0.57

*As per Infomerics' Standard

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	49.97	44.85
EBITDA	0.89	1.30
PAT	0.34	0.74
Total Debt	4.16	12.67
Tangible Net worth	8.77	11.41
Ratios		
EBITDA Margin (%)	1.79	2.90
PAT Margin (%)	0.68	1.65
Overall Gearing Ratio (x)	0.47	0.69

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	9.5	IVR BB+ / Stable Outlook	-	-	-
2.	Term Loan	Long Term	5.39	IVR BB+ / Stable Outlook	-	-	-



Press Release

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	Revolving	9.5	IVR BB+ / Stable Outlook



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Long Term Bank Facilities – Term Loan	-	-	Upto October 2025	5.39	IVR BB+ / Stable Outlook
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Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Shree Rupanadham Steel Private Limited	Full consolidation
Shree Banke Bihari Ispat Private Limited	Full consolidation