



Press Release

Shree Banke Bihari Ispat Private Limited

June 09, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Current Ratings	Rating Action	Complexity Indicator
Long Term Facilities - Fund Based Limits - Cash Credit	24.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised	Simple
Long Term Facilities - Fund Based Limits - Term Loans	3.90 (Reduced from 4.57)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised	Simple
Long Term Facilities - Fund Based Limits GECL/ CECL	1.48 (Reduced from 1.74)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised	Simple
Total	29.38			

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the ratings assigned to the bank facilities of Shree Banke Bihari Ispat Private Limited reflects completion of capex as scheduled & overall improvement in the operational & financial parameters in FY22 and expected improvement in revenue and debt protection parameter in FY23 and beyond.

Further the ratings continue to derive strength from its experienced promoters with an established track record in the industry healthy revenue growth albeit moderate profit margins, semi-integrated nature of operation; CAPEX to provide economies of scale, healthy capital structure and financial risk profile. However, the rating strengths are partially offset by risk associated with volatility in the raw material prices, intense competition, and cyclical nature in the steel industry.

Key Rating Sensitivities:

- Upward Factors

Substantial & sustained improvement in revenue and/or profitability while maintaining the debt protection parameters on a consolidated basis

- Downward Factors

Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters on a consolidated basis



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Key Rating Drivers with detailed description:

Key Rating Strengths:

Experienced promoters with an established track record in the industry:

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 total income of the group remained progressive over the past four fiscal years ended FY22 (Provisional). After witnessing a CAGR growth of ~ 25% in the last 4 years ended FY22 on the back of increase in sales volume coupled with increased average realization. The revenue of the group & absolute EBITDA increased to INR 330.78 Crore INR 26.63 Crore respectively in FY22 as against INR 200.60 Crore & INR 12.65 Crore respectively in FY21 due to increase realization which led to inventory profit and positive demand outlook for the products.

Semi integrated nature of operation; CAPEX to provide economies of scale:

At present, the Group manufactures MS Billets with an installed capacity of 123,500 MTPA and sponge iron with an installed capacity of 90,000 MTPA. Moreover, as a backward & forward integration, the group has completed the setting up an additional Sponge Iron of 30,000 MTPA, MS Billets of 76,750 MTPA and Steel Rolling Plant of 94,800 MTPA, and 2 Power Plant (6 MW Waste Heat Recovery Power Plant and 4 MW Coal based power plant) which will help the group reducing the expenditure on cost of production. The additional capacity was operational since January 2022 end.

Healthy capital structure and financial risk profile:

Group's capital structure remained healthy as on the past four account closing dates ending FY22. The Adjusted net worth stood at of INR 87.75 crore as on March 31, 2022, including INR 17.93 crore of unsecured loans from promoters as quasi equity as the same is subordinated to the bank facilities. The financial leverage of the company is slightly deteriorated but comfortable as Overall Gearing ratio and TOL/ATNW stood at 1.14x & 1.42x respectively in FY22 as against 0.78x & 0.98x respectively in FY21. The debt protection metrics is strong as Interest Coverage Ratio (ICR) stood at 4.05x in FY22 as against 2.43x in



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FY21 which shows the adequacy of the entity to meet interest and debt obligations in time for FY22.

Key Rating Weaknesses:

Risk associated with volatility in the raw material prices:

The degree of backward integration defines the ability of the group to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production of Billets and TMT Bars is steel scrap. The group does not have any long-term agreement for procurement of steel Scrap. The group procures most of the scrap from the spot market, thus exposing the group to the volatility associated with the raw material price. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

Intense competition and Cyclical in the steel industry:

The steel manufacturing businesses is characterized by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players including Group. The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including Group. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the group's operations are vulnerable to any adverse change in the global demand-supply dynamics

Analytical Approach: Consolidated Approach

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. Additionally, Shree Banke Bihari Ispat Private Limited hold 4.28% of shares in Shree Rupanadham Steel Private Limited as on March 31, 2021.

Applicable Criteria:

Rating Methodology for [Manufacturing Companies](#)

[Financial Ratios & Interpretation](#) (Non-Financial Sector)

[Criteria on Rating Outlook](#)



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Liquidity – Adequate

The liquidity position of the group remained adequate as the cash accrual is comfortably matching with the repayment of debt obligation. Further, the average working capital utilization of group is approximately 55.00% during the past 12 months ended Apr 2022 indicating adequate liquidity buffer. The liquidity ratio of the group is remained adequate as its current ratio are adequate at 1.42x as on March 31, 2022, as against 1.61x as on March 31, 2021. Cash & Cash equivalent of the group is INR 0.29 Crore as on March 31, 2022.

About the Company: Shree Banke Bihari Ispat Private Limited

Mr. Bhola Prasad Agrawal incorporated Shree Banke Bihari Ispat Private Limited (SBB IPL) in 2004. This Raigarh, Chhattisgarh based company manufactures sponge iron and mild steel (MS) billets. Currently the company is managed by Mr. Pawan Agrawal, Mr. Ajay Agrawal (s/o of Mr. Bhola Prasad Agrawal) and Mr. Mayank Agrawal (s/o of Mr. Pawan Agrawal).

About the Company: Shree Rupanadham Steel Private Limited

Incorporated in 2007, Shree Rupanadham Steel 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/ M.S. Billets, ingots & rolling mills. The facility is located at Saraipali, Raigarh.

Financials: Consolidated (Shree Banke Bihari Group)

(INR Crore)

For the year ended/* As On	31-03-2021	31-03-2022
	(Audited)	(Provisional)
Total Operating Income	200.60	330.78
EBITDA	12.65	26.63
PAT	4.30	12.94
Total Debt	59.59	100.42
Tangible Net-worth	76.84	87.75
Ratios:		
EBITDA Margin (%)	6.31	8.05
PAT Margin (%)	2.14	3.91
Overall Gearing Ratio (x)	0.78	1.14

*Classification as per Infomerics' standards

Financials: Standalone (Shree Banke Bihari Ispat Private Limited)

(INR Crore)

For the year ended*/ As On	31-03-2021	31-03-2022
	(Audited)	(Provisional)
Total Operating Income	160.62	290.24
EBITDA	5.11	10.44
PAT	2.13	5.90



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Total Debt	17.93	28.38
Tangible Net-worth	18.99	23.02
Ratios:		
EBITDA Margin (%)	3.18	3.60
PAT Margin (%)	1.32	2.03
Overall Gearing Ratio (x)	0.94	1.23

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(INR Crore)

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22 (Nov 16, 21)	Date(s) & Rating(s) assigned in 2020-21 (Oct 20, 20)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Facilities - Fund Based Limits - Cash Credit	Long Term	24.00	IVR BBB-/ Stable	IVR BB+/ Positive	IVR BB+/ Stable	--
2.	Long Term Facilities - Fund Based Limits - Term Loans	Long Term	3.90 (Reduced from 4.57)	IVR BBB-/ Stable	IVR BB+/ Positive	IVR BB+/ Stable	--
3.	Long Term Facilities - Fund Based Limits GECL/ CECL	Long Term	1.48 (Reduced from 1.74)	IVR BBB-/ Stable	IVR BB+/ Positive	IVR BB+/ Stable	--

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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. Society'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 (INR Crore)	Rating Assigned/ Outlook
Long Term Facilities - Fund Based Limits - Cash Credit	--	--	--	24.00	IVR BBB-/ Stable
Long Term Facilities - Fund Based Limits - Term Loans	--	--	Oct-25	3.90 (Reduced from 4.57)	IVR BBB-/ Stable
Long Term Facilities - Fund Based Limits GECL/ CECL	--	--	Up to May-24	1.48 (Reduced from 1.74)	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Shree Rupanadham Steel Private Limited (SRSPL)	Full*
Shree Banke Bihari Ispat Private Limited (SBB IPL)	Full*

**Intercompany transaction has been adjusted as per Infomerics standard.*

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Lender-SBB IPL-09-06-22.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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

