



Press Release

Shri Tirupati Steelcast Limited

November 27, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	121.64	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	-	Assigned	Simple
Short-term Bank Facilities	22.36	IVR A2 (IVR A Two)	-	Assigned	Simple
Total	144.00 (Rs. One hundred and forty-four crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Shri Tirupati Steelcast Limited (STSCCL) derives comfort from its experienced promoters with moderate operational track record, established brand, strategic location of plant with advantage of backward integration, healthy capacity utilisation and satisfactory financial risk profile. These rating strengths are partially offset by susceptibility of margins to fluctuations in raw material prices, exposure to high competition and cyclical nature in the steel industry, geographical concentration risk and working capital intensive nature of operation.

The long-term rating outlook assigned as Stable on the back of satisfactory demand outlook of the manufactured goods coupled with satisfactory financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in profitability on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in capital structure

Downward Factors

- Any decline in revenue and profit margin on a sustained basis
- Further moderation in the capital structure



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- Withdrawal of subordinated unsecured loan treated as quasi equity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with moderate operational track record**

STSCCL was incorporated in the year 2010 and promoted by one Mr. Sunder Somani and Mr. Raakesh H Rathi of Bangalore along with other three directors. They have over a decade of experience in similar industry and associated with numbers of other companies as directors. The operations of the company are supported by other directors also, who have decades of experience in similar industry. Due to long term presence in the market, the promoters have good relations with customers and suppliers. Further, the company started commercial operation from 2010, thus having over a decade of operational track record.

- **Established brand**

The company markets its TMT bars under the brand name "President TMT". STSCCL has been able to establish its brand over the course of last five years with a focussed campaign to raise brand awareness and recall. STSCCL has a direct sales team to penetrate in the market and also markets its products through dealers-distributors network spread across a major part of southern India like Andhra Pradesh, Tamil Nadu and Karnataka.

- **Strategic location of plant with advantage of backward integration**

STSCCL's sponge iron manufacturing facility is located at Ballari industrial belt in Karnataka, which is one of the iron-ore (the main raw material for the company) rich states in India. Further, Andhra Pradesh and Karnataka being an industrial belt has end market for its iron and steel products. Further, the billets and TMT bar manufacturing unit is located at Hindupur-Anantapur in Andhra Pradesh. The company consumes majority of its sponge iron production in its billet unit which is also integrated with rolling mill for TMT bar production. The plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods. Hence, the plant enjoys competitive advantages in terms of containment of transportation costs and ready market.



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- **Healthy capacity utilisation**

STSCCL was operated at a healthy capacity of ~83% in FY23 (refers to period April 1st, 2022, to March 31st, 2023) driven by increase in demand of steel products. The same has also further increased in FY24 (refers to period April 1st, 2023, to March 31st, 2024) where the same was at 92% and during H1FY25 the average capacity utilisation was around 88%.

- **Satisfactory financial risk profile**

Financial risk profile of the company has been satisfactory over the years. Total operating income of the company has increased by ~14% in FY23 over FY22 (refers to period April 1st, 2023, to March 31st, 2024) on the back of increase in volume sales of billets and TMT bars with marginal improvement in average realisation during FY23. However, TOI has declined in FY24 over FY23 by ~12% to Rs.1,009.88 crore on account of significant decline in average realisation which is in-line with overall price fall of steel products in the domestic market. Although turnover has declined in FY24, profit level and margin both has improved in FY24 marked by increase in absolute EBITDA and PAT level as well as improvement in both the margins to 5.04% and 2.36% respectively. Profitability has improved in FY24 on the back of lowering of trading business which fetches lower margin coupled with management decision to reduce commission sales during FY24. Capital structure of the company remained moderately leveraged over the years due to high utilisation of bank borrowing. However, considering subordinated unsecured loan from promoter as quasi equity of Rs.25 crore, along with repayment of term loan and accretion of profit to reserve, overall gearing ratio has improved significantly and remained around 1.06x as on March 31, 2024. Interest coverage ratio, though remained satisfactory in FY24 at 3.72x, has declined marginally over FY23 on account of higher increase in capital charges compared to increase in absolute operating profit. Further, total indebtedness of the company as reflected by the TOL/ATNW remained adequate at 1.79x as on March 31, 2024, improved from March 31, 2023, on the back of increase in adjusted net worth. Liquidity, marked by current ratio remained satisfactory at 1.45x as on March 31, 2024. Infomerics expects that the financial risk profile of STSCCL will continues to remain comfortable in the near to medium term.

Key Rating Weaknesses

- **Susceptibility of margins to fluctuations in raw material prices**



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The main raw materials used by STSCL are iron ore, coal, scrap, sponge iron, pig iron, silica manganese, limestone etc. Raw material cost is a major contributor to its total operating cost, thereby making profitability sensitive to raw material prices. Further, the major raw material price of the company is prone to witness frequent price fluctuations. Thus, any adverse change in the prices of the raw material may affect the profitability margins of the STSCL.

- **Exposure to high competition and cyclicity in the steel industry**

STSCL mainly operates in the state of Karnataka and faces stiff competition from not only established players, but also from the unorganised sector due to low level of product differentiation. Further, the steel industry is also cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices.

- **Geographical concentration risk**

STSCL mainly caters to the state of Karnataka and Andhra Pradesh which contributed around 91% of its sales in FY24. Hence, the company is exposed to geographical concentration risk. However, the company has begun efforts to strengthen its brand presence and grow its sales in nearby markets.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive in nature. The company is required to maintain adequate inventory of raw material for smooth production process as well as maintain inventory of finished goods to meet demand of its customers which resulted in average inventory period of 39 days for FY24. Furthermore, the company offers a credit period of around 1-2 months to its customers owing to its presence in highly competitive industry resulting in average collection period of 57 days for FY24. However, it avails a credit period of 18 days in FY24 from suppliers. The operating cycle of the company stood at 78 days in FY24. Average working capital utilization remained high at around 87% over the past 12 months ended October 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)



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[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

STSCCL has earned a gross cash accrual of Rs. 32.18 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs. 38 to 65 crore as against its debt repayment obligations around ~Rs. 8 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained high at ~87% during the past 12 months ended Aug 2024 indicating a low liquidity cushion.

About the Company

Shri Tirupati Steelcast Limited (STSCCL) is a closely held public limited company, incorporated in February 2010, promoted by the Rathi and Somani family based out of Bengaluru. It is engaged in manufacturing of mild steel (MS) billets and TMT bars at Hindupur, Andhra Pradesh and Karnataka. The company markets its TMT bars under brand name 'President TMT'. It currently operates with operational capacity of 210,000 MT of billets, 180,000 MT of TMT bars, and 36,000 MT of sponge iron. Currently, Mr. Sunder Somani and Mr. Raakesh H Rathi, looks after the day-to-day affairs of the company along with other directors, and a team of experienced professionals.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1143.83	1009.88
EBITDA	48.46	50.95
PAT	19.56	23.93
Total Debt	149.06	145.78
Adjusted Tangible Net Worth	88.53	137.48
EBITDA Margin (%)	4.24	5.04
PAT Margin (%)	1.71	2.36
Adjusted Overall Gearing Ratio (x)	1.68	1.06
Interest Coverage (x)	4.06	3.72

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	110.00	IVR BBB+/Stable	-	-	-
2.	Term Loans	Long Term	7.13	IVR BBB+/Stable	-	-	-
3.	GECL	Long Term	4.51	IVR BBB+/Stable	-	-	-
4.	Purchase card	Short Term	2.00	IVR A2	-	-	-
5.	Letter of credit	Short Term	20.00	IVR A2	-	-	-
6.	Proposed non-fund-based limit	Short Term	0.36	IVR A2	-	-	-

Analytical Contacts:

Name: Sanmoy Lahiri

Tel: (033) 4803 3621

Email: s.lahiri@infomerics.com

Name: Sandeep Khaitan

Tel: (033) 4803 3621

Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	July 2026	7.13	IVR BBB+/ Stable
GECL 2.0	-	-	-	Dec. 2025	2.76	IVR BBB+/ Stable
Cash Credit 1	-	-	-	-	80.00*	IVR BBB+/ Stable
WCTL-GECL2	-	-	-	May 2026	1.75	IVR BBB+/ Stable
Cash Credit 2	-	-	-	-	30.00#	IVR BBB+/ Stable
Purchase card	-	-	-	-	2.00	IVR A2
Letter of credit	-	-	-	-	20.00	IVR A2
Proposed Non-fund- based limit	-	-	-	-	0.36	IVR A2

*Letter of credit of Rs. 20.00 Cr. is sublimit of cash credit

*Credit Exposure Limit of Rs. 1.00 Cr. is sublimit of cash credit

#WCDL of Rs. 21.00 Cr. is sublimit of cash credit

Annexure 2: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Shri-Tirupati-Steel-27nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



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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.

