



Press Release

Chandan Steel Limited (CSL)

March 27, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	27.00 (Reduced from 39.60)	IVR A-/ Positive (IVR Single A Minus with Positive outlook)	IVR A-/ Positive (IVR Single A Minus with Positive outlook)	Rating Reaffirmed	Simple
Short term Bank Facilities	551.00	IVR A2+ (IVR Single A Two Plus)	IVR A2+ (IVR Single A Two Plus)	Rating Reaffirmed	Simple
Total	578.00	(Rupees Five Hundred & Seventy-Eight crores 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

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of CSL as it continues to reflect healthy operating profile over FY24, comfortable gearing and debt coverage indicators, experienced promoters and long track record of operations. However, these strengths are partially offset by foreign exchange fluctuation risk as exports constitutes around 80% of the total revenue for FY24, profitability exposed to volatile raw material as well as finished good prices and working capital intensive nature of operations.

The Positive Outlook reflects sustained improvement in credit profile over FY23-FY24 and IVR's expectations of its sustainability over FY25-FY27.



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Key Rating Sensitivities:

Upward Factors

- Sustainability of credit profile while sustained improvement in revenue and profitability

Downward Factors

- Any decline in revenue and profitability and/or any unplanned debt led capex and/or any deterioration in working capital cycle leading to deterioration in credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Healthy operating profile:

CSL's revenue has marginally declined to Rs.1956.15 crore during FY24 (period refers from 01st April 2024 to 31st March 2024) (FY23: 2,047.90 crore) due to lower realization. Realization have declined to dumping of steel from China, Infomerics expects revenue to remain stable during FY25 with stable realization. Despite the decline in revenue, the EBITDA margins remained strong and improved to 18.00% in FY24 (FY23: 16.5%) due to the higher proportion of high-grade products in the overall revenue. During 9MFY25 CSL reported EBITDA margins of 17.99% with higher proportion of high-grade products.

Comfortable gearing and debt coverage indicators:

CSL's capital structure remained comfortable with overall gearing ratio further improved to 0.16x, while TOL/ATNW also remained low at 0.36x as on 31st March 2024 (FY23: 0.31x and 0.77x). The adjusted net worth of the company remained strong at Rs.812.13 Crore as on 31 March 2024 (31st March 2023: Rs. 579.78 Crore). Infomerics expect debt led capex plans during FY26 unlikely to have any impact on overall gearing due to strong net worth base. CSL is planning to spend ~Rs. 400 crores over FY26 and FY27 on installing solar plant and furnace along with rolling mill, funded through mix of debt (62.50%) and internal accruals (37.50%). Funding tie-up will happen during April 2025 and capex plans expected to be commissioned by January 2027. With commissioning of the project, power cost is expected to reduce Rs.12 crore per annum from current power cost of Rs.75 crore per annum. Debt protection



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parameters also remained strong reflected by interest coverage ratio of 17.94x at the end FY24 (FY23: 15.11x) with improvement in EBITDA and stable interest cost.

Extensive experience of promoters and established track record in the industry:

CSL has an established track record of 4 decades in the industry, while its promoters have more than 5 decades of experience in the steel industry. The promoters are supported by an experienced management team. CSL was promoted in 1984 by Mr. Chunilal Chandan after spending 15 years in steel import & trading. His two sons, Mr. Dilip Chandan and Mr. Vijay Chandan have also been in this business for over 25 years. There are other members in the Board (including independent directors) who are highly qualified & experienced, adding credence & professionalism in the governance of the company.

Technical expertise to manufacture diversified product profile used in diverse end user industries:

CSL has a diversified product portfolio comprising of long products (round bars, flat bars, square bars, T-sections, angle bars and wire rod), forging products (forgings, flanges, tube sheets and ring rolled products) and seamless tubes & pipes products (boiler tubes, process pipes, U-tubes, heat exchanger tubes, wire rods and instrumentation tubes) catering to varied key sectors like Automotive, Chemical, Defense, Machine building, Oil & Gas, Petrochemical, Energy & Power and Railways and so on. This enables the company to reap benefits of conglomeration and considerably insulate itself from any sectoral volatility.

Key Rating Weaknesses

Exposed to foreign exchange fluctuations and high concentration to USA

Indian stainless-steel manufacturers and exporters such as CSL face stiff competition from the Chinese, Taiwanese and Korean exporters in key markets including the EU and the USA. In addition, the operations are exposed to cyclicalities faced by the downstream users of CSL's users. CSL derives ~80% of the revenue from exports; hence it is exposed to foreign exchange fluctuation risk. CSL hedges its forex exposure through forward contract. Any adverse movement in forex could impact the profitability of the entity. Out of total exports ~33% exports are to the USA, Infomerics notes that any adverse change in duty structure announced by USA could have impact the profitability of the company.



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Working capital intensive nature of operations:

CSL's operations are working capital intensive in nature reflected by net working capital cycle of 78 days at the end of FY24 (FY23:52 days). CSL extends credit period of 90-120 days to its customers; while it maintains inventory of raw materials as well as finished good of 43 days at the end of FY24.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and post default curing period](#)

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

Liquidity –Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations through FY25-FY27. Further, the company had gross cash accruals of Rs.255.51 Crore in FY24. Cash and Cash equivalent amounted to Rs.6.63 Crore and bank deposits with maturities less than 12 months amounted to Rs.39.50 Crore as on 31st March 2024. The average fund-based limits remained unutilised. The current ratio stood at 2.99x as on 31st March 2024.

About the Company

CSL was incorporated in 1984 as Chandan Tubes & Metals Private Limited for setting up a stainless-steel manufacturing facility in Umbergaon, Valsad Gujarat with an installed capacity of 66,000 MTPA. Currently, CSL is into manufacturing of long products like SS billets, SS flats round, bright bars, SS flanges, SS angles, SS tubes and pipes, SS wire rods for the engineering and infrastructure segment.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	2047.90	1956.15
EBITDA	339.47	352.01
PAT	220.13	237.98
Total Debt	177.64	129.05
Tangible Net Worth	634.05	883.10
EBITDA Margin (%)	16.58	18.00
PAT Margin (%)	10.73	12.09
Overall Gearing Ratio (x)	0.31	0.16
Interest Coverage (x)	15.11	17.94

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL

Any other information: Not Applicable

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
					Mar 07, 2024	Feb 14, 2024	Nov 24, 2021
1.	Term loan	Long Term	13.00	IVR A-/Positive	IVR A-/Positive	IVR A-/Stable	IVR A-/Stable
2.	GECL	Long Term	4.00	IVR A-/Positive	IVR A-/Positive	IVR A-/Stable	IVR A-/Stable
3.	Cash Credit	Long Term	10.00	IVR A-/Positive	IVR A-/Positive	IVR A-/Stable	IVR A-/Stable
4.	Bank Guarantee/ Letter of credit	Short term	380.00	IVR A2+	IVR A2+	IVR A2+	IVR A2+
5.	Gold card	Short term	28.50	IVR A2+	IVR A2+	IVR A2+	IVR A2+
6.	FBP/FBN/FBD/PC	Short term	142.50	IVR A2+	IVR A2+	IVR A2+	IVR A2+

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About Infomerics:

Infomerics Valuation and Rating 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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	--	--	--	Jan 31, 2027	13.00	IVR A-/ Positive
GECL	--	--	--	--	4.00	IVR A-/ Positive
Cash Credit	--	--	--	Revolving	10.00	IVR A-/ Positive
Bank Guarantee/ Letter of credit	--	--	--	--	380.00	IVR A2+
Gold card	--	--	--	--	28.50	IVR A2+
FBP/FBN/FBD/PC	--	--	--	--	142.50	IVR A2+

Annexure 2: Facility wise lender details (Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/len-ChandanSteel-mar25.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

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.