



Press Release

Om Shree Rupesh Steel Private Limited

January 03, 2025

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	48.25	IVR BBB; Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
Total	48.25 (Rupees forty- eight crore and twenty-five lakhs 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

For arriving at the rating, Infomerics Ratings has combined the financial risk profiles of Om Shree Rupesh Steel Private Limited (OSRSPL) and Zeon Steels Private Limited (ZSPL) commonly referred as Om Shree Group hereafter, as these companies are under a common promoter and have strong operational linkages and cash flow fungibility. The rating assigned derives comfort from Om Shree Group's experienced promoters, locational advantage, forward integration initiative taken by OSRSPL, sustained improvement in scale of operation, moderate capital structure and comfortable debt protection metrics. However, these rating strengths are partially offset by susceptibility of profitability to fluctuation in raw material and finished good prices, presence in highly competitive & fragmented industry and exposure to cyclicity in Steel Industry.

Infomerics believes that the Om Shree Group will maintain a 'Stable' outlook over the medium term on account of its experienced promoters and healthy demand of its manufactured product.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in overall gearing ratio to below 1x



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- Improvement in working capital management leading to improvement in operating cycle and liquidity

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis
- Withdrawal of subordinated unsecured loans or any unplanned capex impacting the capital structure with moderation in the overall gearing to over 2x and/or moderation in debt coverage indicators marked by moderation in interest coverage ratio to below 2x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management personnel**

The main promoter of the Om Shree Rupesh Group is Mr. Dayanand Agrawal and Mr Shankar Lal Agrawal. have an experience of more than two decades in iron and steel industry. Both of them together, looks after the day-to-day operations of the group along with adequate support from team of experienced professionals. The long-standing experience of the promoters have helped in establishing a healthy relation with suppliers and customers.

- **Locational advantage**

The manufacturing units of the group is in Raipur, Chhattisgarh which is known as steel hub and is in close proximity to various manufacturers of sponge iron, pig iron and iron scrap, the main raw materials for manufacturing of its products. Accordingly, availability and sourcing of raw materials are not an issue for the companies.

- **Forward integration initiative by OSRSPL**

OSRSPL has undergone forward integration and expanded its Induction Furnace capacity and installed new Rolling mill and Pipe mill in the existing plant premises. With an installed capacity of 1,00,000 MTPA, the company plans to produce TMT rebars from MS Billets and market the same under the brand name of 'Vastu TMT rebars'. With commencement of operations of new manufacturing unit, it is expected that there will be gradual rise in revenue owing to contribution from sale of TMT rebar.

- **Sustained improvement in scale of operation**

The group has witnessed an increasing trend in revenue and grew at a CAGR of ~11% over the during FY22 [FY refers to the period from April 01 to March 31] to FY24. The total operating income (TOI) registered a y-o-y growth of ~40% in FY23 and increased from Rs.199.97 crore



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in FY22 to Rs.280.84 crore in FY23 and by ~3.36% in FY24 to Rs. 290.29 crore. The improvement in TOI is on the back of continuous increase in sales volume underpinned by increase in demand for its manufactured products. The EBITDA margin and PAT margin of the group remained moderate over the aforesaid period and stood at 4.22% and 1.99% respectively in FY24. In H1FY25, the group had reported sales of Rs.189.45 crore.

On a standalone basis, In FY24, OSRSPL has booked revenue of Rs.190.33 crore with EBITDA margin of 5.17% and PAT margin of 2.57%.

- **Moderate capital structure and comfortable debt protection metrics**

The debt profile of the group consists working capital borrowings, term loan, GECL and unsecured loan from related parties. The capital structure of the group remained moderate with long term debt equity ratio of 0.73x (0.59x as on March 31, 2023) and overall gearing ratio of 1.29x (1.41x as on March 31, 2023) respectively as on March 31, 2024 considering subordinated unsecured loans from promoters and related parties to the tune of Rs.10.38 crore as quasi equity. Further, total indebtedness of the group as reflected by TOL/ATNW remained satisfactory at 2.20x as on March 31, 2024 (as against 2.63x on March 31, 2023) due to availment of new term loans by OSRSPL for its forward integration project. The debt protection metric of the group remained satisfactory. The interest coverage ratio stood satisfactory at 3.23x in FY24 (3.43x in FY23). Moreover, the Total debt to EBITDA and Total debt to GCA stood at moderate at 3.81x and 5.30 years respectively as on March 31, 2024. On a standalone basis, the capital structure of the OSRSPL remains moderate with Overall gearing of 1.48x as on March 31, 2024 and debt protection metrics stood satisfactory with interest coverage of 3.41x in FY24.

Key Rating Weaknesses

- **Susceptibility of profitability to fluctuation in raw material and finished good prices**

The raw material (sponge iron, and mild steel scrap) forms the majority chunk of the total cost of sales for this firm. As the raw material prices are volatile in nature, the profitability of the group is subject to fluctuation in raw material prices.

- **Presence in highly competitive & fragmented industry**

The spectrum of the steel industry in which the companies operate is highly fragmented and competitive due to presence of numerous players in India owing to relatively low entry barriers.



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Hence, the players in the industry do not have pricing power and are exposed to the prices fixed by the industry giants.

- **Exposure to cyclicity in Steel Industry**

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on the group's performance in view of its direct linkage to the fortunes of Steel industry. However, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recent past, coupled with robust demand in the domestic market.

Analytical Approach: Combined

For arriving at the rating, Infomerics Ratings has combined the financial risk profiles of Om Shree Rupesh Steel Private Limited (OSRSPL) and Zeon Steels Private Limited (ZSPL) commonly referred as Om Shree Group, as these companies are under a common promoter and have strong operational linkages and cash flow fungibility. The list of companies considered for consolidation are given in **Annexure 4**.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Consolidation of companies](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

Liquidity – Adequate

The liquidity profile of the group is expected to remain adequate marked by its expected satisfactory cash accruals in the range of Rs.15.69 crore - Rs. 28.06 crore during FY25-FY27 vis a-vis its debt repayment obligations in the range of Rs. 3.59 crore – Rs. 3.78 crore. The group has generated a gross cash accrual of Rs.8.81 crore in FY24. Further the group is having a satisfactory gearing headroom marked by its satisfactory capital structure. Moreover, the average fund-based utilisation of the group remains moderate at ~76% for past 12 months ended November 2024 which provides sufficient liquidity cushion.

About the Company



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OSRSPL was incorporated in 2009, and was taken over by the current promoters, Mr Shankar Lal Agrawal and Mr Dayanand Agrawal in 2010 to manufacture mild steel (MS) billets at Raigarh (Chhattisgarh). Recently OSRSPL has undergone a forward integration capex and expanded its Induction Furnace capacity from 75000 MTPA to 1,00,000 MTPA and installed new Rolling mill and Pipe mill in its existing plant premises to manufacture TMT rebars from MS billets and market the same under the brand name of 'Vastu TMT rebars'.

About the Group

OSRSPL has gained a good experience in the iron and steel industry with its MS billets manufacturing unit and hence they took the decision of acquiring of ZSPL which also operates in the same industry. Before acquisition, ZSPL was a loss-making company and post its takeover by OSRSPL in March 2022, it has been successfully converted into a profit-making company. There are strong intergroup financial linkages in the form of unsecured loans and corporate guarantee extended by OSRSPL to ZSPL. OSRSPL has extended unsecured loans to ZSPL which shall continue to remain in the business till the credit facilities are repaid. Since, both the companies are engaged in manufacturing of MS Billets and MS Ingots, in FY22-24, OSRSPL and ZSPL had operational linkages with each other in the form of inter-company transactions which was mainly related to purchase of materials by ZSPL from OSRSPL.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	200.33	190.33
EBITDA	10.28	9.84
PAT	3.81	4.91
Total Debt	25.28	40.32
Tangible Net Worth	15.17	21.32
Adjusted Tangible Net Worth	17.70	27.25
EBITDA Margin (%)	5.13	5.17
PAT Margin (%)	1.90	2.57
Overall Gearing Ratio (x)	1.43	1.48
Interest Coverage (x)	3.63	3.41

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			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.	Term Loan	Long Term	32.25	IVR BBB; Stable	-	-	-
2.	Cash Credit	Long Term	16.00	IVR BBB; Stable	-	-	-

Analytical Contacts:

Name: Nidhi Sukhani Tel: (033) 46022266 Email: nsukhani@infomerics.com	Name: Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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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.

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	-	-	-	February 07, 2025	0.25	IVR BBB; Stable
Term Loan	-	-	-	December 07, 2028	5.12	IVR BBB; Stable
Term Loan	-	-	-	January 07, 2031	26.88	IVR BBB; Stable
Cash Credit	-	-	-	-	16.00	IVR BBB; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-OSRSPL-jan25.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of Company	Extent of Consolidation
Om Shree Rupesh Steel Private Limited (OSRSPL)	Full
Zeon Steels Private Limited (ZSPL)	Full

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.