



## Press Release

### Shree Banke Bihari Ispat Private Limited

August 30, 2023

#### Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	29.88 (Enhanced from 29.38)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Revised	Simple
<b>Total</b>	<b>29.88</b> <b>(Rs. Twenty-nine crore and eighty- eight lakhs only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of Shree Banke Bihari Ispat Private Limited (SBB IPL) considers the close operational and financial linkages between SBB IPL and Shree Rupanadham Steel Private Limited (SRSPL) (commonly referred as BPA group). The revision in the ratings assigned to the bank facilities of SBB IPL factors in the improvement in business performance of the BPA group in FY2023 and in Q1FY2024 post completion of capex coupled with healthy capital structure and improvement of debt coverage indicators in FY2023. The rating also positively notes the experience of the promoters and management team in the iron and steel industry and semi-integrated nature of operations of the group. These rating strengths are partially offset by susceptibility of operating margin to volatility in the prices of raw materials and finished goods, exposure to intense competition and exposure to cyclicity in the steel industry.

#### Rating Sensitivities

##### Upward factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in cash accruals on a consolidated basis.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis

##### Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics on a consolidated basis.
- Moderation in the capital structure with moderation in overall gearing to over 1.5x



## Press Release

- Moderation in liquidity position due to stretch in operating cycle

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced promoter & management team**

The group is being managed by experienced promoters and directors who collectively have a rich experience of more than two decades in the iron and steel industry and is instrumental in the growth and development of the group. Having operated in industry since years now, the management has established a strong network with suppliers and customers. Besides the promoters, 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.

##### **Semi integrated nature of operations**

The group has manufacturing facility for sponge iron, which along with MS scrap serves as a feedstock for manufacturing of MS billets. Further, SRSPL has also installed a rolling mill with a capacity of 94,800 MTPA, the production of which will commence from September 2023 onwards. The manufactured billets will be used to produce TMT bars. Moreover, to support its operations the group also has a 10MW captive power generation capacity (6MW of WHRB and 4MW of coal-based power plant) which helps in meeting a major part of the overall power requirement thereby positively impacting the cost structure. Semi-integrated nature of operations coupled with proximity to the source of raw materials & end user market provides a competitive edge to the group. The integrated nature of operations is expected to enhance efficiency in the form of additional revenues and increased profit margins.

##### **Improvement in business performance of the group in FY2023 and in Q1FY2024**

The total operating income (TOI) of the group increased at a CAGR of ~45% during FY2021-FY2023 with a y-o-y growth of ~30% from Rs.330.53 crore in FY2022 to Rs.430.18 crore in FY2023 driven by increase in sales volume of both sponge iron and billet consequent to commencement of operations of enhanced capacities from January 2022 onwards. The increase in average sales realisation of sponge iron also added to increase in revenues in FY2023. With increase in TOI, EBITDA increased from Rs.22.11 crore in FY2022 to Rs.35.93 crore in FY2023 resulting in increase in EBITDA margin from 6.69% in FY2022 to 8.35% in FY2023. The increase in operating profit in FY2023 is majorly attributable to decrease in raw material cost, savings in power cost post installation of 10MW captive power plant (6MW



## Press Release

WHRB and 4MW coal-based power plant) from January 2022 onwards and increase in production efficiency resulting in benefits of economies of scale. Consequently, PBT margin and PAT margin of the group also increased from 3.91% and 2.84% respectively in FY2022 to 5.17% and 3.62% respectively in FY2023. Combined GCA improved from Rs.13.05 crore in FY2022 to Rs.22.84 crore in FY2023. Further the group achieved a TOI of Rs.125.48 crore during Q1FY2024 (Rs.83.23 crore in Q1FY2023) with PBT of Rs.6.87 crore (Rs.3.58 crore in Q1FY2023). The group's ability to sustain the growth in its top line without compromise in margins will remain a key rating monitorable going forward.

### **Healthy capital structure coupled with improvement in debt coverage indicators in FY2023**

The debt profile of the group consists of term loans from banks and working capital borrowings. The capital structure of the group improved and remained comfortable with long term debt equity ratio of 0.58x as on March 31, 2023 as against 0.83x as on March 31, 2022 and overall gearing of 0.81x as on March 31, 2023 as against 1.23x as on March 31, 2022 (considering subordinated unsecured loan from promoters and relatives as on March 31, 2023 to the tune of Rs.3.73 crore and Rs.36.80 crore in SBBPL and SRSPL respectively as quasi equity). The improvement in capital structure is driven by subsequent repayment of loans and accretion of profits to reserves. With increase in absolute profits, debt coverage ratios also improved with ICR of 3.64x (PY: 3.25x) in FY2023, Total debt/EBITDA of 2.74x (PY: 4.57x) and Total debt to GCA of 4.31x (PY: 7.74x) as on March 31, 2023. Total indebtedness of the group as reflected by TOL/TNW (including Quasi Equity) also remained comfortable at 1.06x as on March 31, 2023.

### **Key Rating Weaknesses**

#### **Susceptibility of operating margin to volatility in raw material prices and finished goods**

Since the raw material is the major cost driver and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situation and other macro-economic factors.

#### **Exposure to intense competition and cyclicity in the steel industry**

The steel manufacturing business is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the



## Press Release

pricing flexibility of the players. The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including the Group. The steel industry is cyclical in nature and have 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:**

For arriving at the rating, Infomerics has combined the financial risk profiles of Shree Rupanadham Steel Private Limited (SRSPL) and Shree Banke Bihari Ispat Private Limited (SBB IPL) together referred to as the BPA Group as these entities are running under a common management, have strong operational and financial linkages. Additionally, Shree Banke Bihari Ispat Private Limited holds 4.3% of shares in Shree Rupanadham Steel Private Limited as on March 31, 2023. (The lists of companies considered for combined analysis are given in **Annexure 2**)

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

### **Liquidity: Adequate**

The liquidity position of the group is likely to remain adequate driven by sufficient level of cash accruals vis-à-vis its debt repayment obligations. The overall gearing of the group remained comfortable at 0.81x as on March 31, 2023, providing adequate buffer. The current ratio stood comfortable at 1.25x as on March 31, 2023. The group had free cash and cash equivalents of Rs.3.97 crore as on July 31, 2023, which is liquidity to support the liquidity position of the group in the near to medium term.

### **About the Company: SBB IPL**

Mr Bhola Prasad Agrawal incorporated Shree Banke Bihari Ispat Private Limited (SBB IPL) in 2004. This Raigarh, Chhattisgarh based company manufactures mild steel (MS) billets with installed capacity of 58,360 MTPA. Mr Bhola Prasad Agrawal and his sons - Mr Pawan Agarwal, Mr Mayank Agarwal, and Mr Ajay Agarwal - currently manage the business.

### **About the Company: SRSPL**

Incorporated in 2007, Shree Rupanadham Steel Private Limited (SRSPL) is engaged in the secondary steel business for more than a decade with expertise in manufacture of MS Billets



## Press Release

and sponge iron with installed capacity of 1,23,500 MTPA and 1,20,000 MTPA respectively.

The facility is located at Saraipali, Raigarh.

### Financials (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	330.53	430.18
EBITDA	22.11	35.93
PAT	9.39	15.59
Total Debt	101.04	98.40
Tangible Net worth	65.58	81.17
Tangible Net worth (including quasi equity)	82.02	121.70
EBITDA Margin (%)	6.69	8.35
PAT Margin (%)	2.84	3.62
Overall Gearing Ratio (x)	1.23	0.81

\*Classification as per Infomerics' standards

### Financials (Standalone): SBB IPL

For the year ended* / As On		
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	290.19	236.61
EBITDA	8.06	7.54
PAT	4.17	3.45
Total Debt	28.99	22.17
Tangible Net worth	17.54	20.99
Tangible Net worth (including quasi equity)	21.27	24.71
EBITDA Margin (%)	2.78	3.19
PAT Margin (%)	1.44	1.45
Overall Gearing Ratio (x)	1.36	0.90

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					June 09, 2022	November 16, 2021	October 20, 2020
1	Cash Credit	Long Term	24.00	IVR BBB / Stable	IVR BBB-/Stable	IVR BB+/ Positive	IVR BB+/ Stable
2	Term Loan	Long Term	2.93 *	IVR BBB / Stable	IVR BBB-/Stable	IVR BB+/ Positive	IVR BB+/ Stable





## Press Release

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
			(Reduced from Rs.3.90 crore)				
3	GECL	Long Term	2.95 * (Enhanced from Rs.1.48 crore)	IVR BBB / Stable	IVR BBB-/Stable	IVR BB+/ Positive	IVR BB+/ Stable

\*Outstanding as on May 31, 2023

### Name and Contact Details of the Rating Analyst:

Name: Harshita Gupta Tel: (033)- 46022266 Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Name: Avik Podder Tel: (033)- 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
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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.

For more information visit [www.infomerics.com](http://www.infomerics.com)



## Press Release

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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
Term Loan	-	-	Oct-2025	2.93 *	IVR BBB / Stable
GECL	-	-	May-2024	0.63 *	IVR BBB / Stable
GECL – Ext.	-	-	Oct-2026	2.32 *	IVR BBB / Stable
Cash Credit	-	-	-	24.00	IVR BBB / Stable

*\*Outstanding as on May 31, 2023*

### Annexure 2: List of companies considered for consolidated analysis:

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

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-SBBIPL-aug23.pdf>

**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 on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).