



## Press Release

### Shiv Krupa Steel & Alloys Private Limited (SKSAPL)

January 03, 2024

#### Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loan	20.42	IVR BB /Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit	19.00	IVR BB /Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Overdraft	1.75	IVR BB /Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit	4.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	7.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
<b>Total</b>	<b>52.17</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings affirmed to the bank facilities of Shiv Krupa Steel & Alloys Private Limited (SKSAPL) derives strength from extensive experience of the promoters in steel industry, increase in scale of operations and EBITDA margin, comfortable debt protection metrics and efficient working capital cycle. However, the rating strengths are partially offset by leveraged capital structure, risks associated with volatility in raw material prices, intense competition, and cyclicity in the steel industry.

#### Key Rating Sensitivities:

#### Upward Factors:

- Substantial & sustained improvement in revenue & profitability leading to improvement in debt protection parameters.



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### **Downward Factors:**

- Any decline in revenue and/or profitability impacting the debt protection metrics and/or liquidity.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

#### **Extensive experience of the promoters in the steel industry**

SKSAPL is led by directors with extensive industry experience who played a key role in its development. With years of operation, the management has built robust relationships with suppliers and customers. The overall management is entrusted to a skilled team of professionals with over two decades of experience in the field.

#### **Increase in scale of operations and EBITDA margin**

Scale of operations have improved by ~33% in FY23 as compared to FY22 to INR 272.63 crores driven by increase in volume and realisation. EBITDA margins have also improved to 3.62% in FY23 (FY22: 1.85%) due to higher realisations and lower raw material prices. IVR expects SKSAPL's revenue to improve further in FY24 with higher realisation and better operating efficiency, this can be reflected by revenue of INR 140.46 crores in H1FY24 with EBITDA margin of 5.68%.

#### **Comfortable debt protection metrics:**

SKSAPL's debt protection metrics as measured by parameters like Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio (ICR) stood at a comfortable 2.78x & 3.21x in FY23 (FY22: 1.43x & 2.11x) which can be attributed to the increase in EBITDA in absolute terms. SKSAPL's debt protection metrics is expected to remain comfortable in FY24 and so on account of stable debt levels and steady increase in EBITDA in absolute terms.

#### **Efficient Working Capital Cycle**

SKSAPL's working capital cycle is efficiently marked by its Operating cycle (days) of around 18 days in FY23 (FY22: 14 days). Further, it maintains an average inventory of around 37 days of various varieties and grades for smooth running of operations. The average collection period also remains healthy at 2 days in FY23 (FY22: 1 days).



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### **Key Rating Weaknesses:**

#### **Leveraged Capital structure**

SKSAPL's capital structure is leveraged marked by parameters like total outside liabilities (TOL/TNW) and overall gearing ratio remained high at 5.14x & 3.82x in FY23 (FY22: 5.76x & 3.58x) due to increase in total debt due to capex undertaken by the company in FY22. However, SKSAPL's leverage is expected to be moderate in FY24 due to higher profits and stable debt levels.

#### **Risk associated with volatility in the raw material prices**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production of Billets is steel scrap. The company does not have any long-term agreement for procurement of steel Scrap. The company procures most of the scrap from the spot market, thus exposing the company 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**

The steel manufacturing business 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 SKSAPL.

#### **Cyclicity in the steel industry**

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including SKSAPL. 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 company's operations are vulnerable to any adverse change in the global demand.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating outlook](#)

### Liquidity: Adequate

The liquidity position of the SKSAPL remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the SKSAPL had gross cash accruals of INR 8.24 crore in FY23 against debt repayment obligations of INR 1.52 crores. The overall average utilization of the fund-based remains high at 82.00% during the last 12 months ended Oct 2023. The current ratio stood at 1.21x as on 31st March 2023. Cash and Cash equivalent amounted to INR 0.44 Crore as on 31st October 2023.

### About the Company:

Shiv Krupa Steel & Alloys Private Limited (SKSAPL), based in Thane, Maharashtra was incorporated on April 24, 2008. Promoted by Sh. Vijaykumar Ram Prakash Bansal and Sh. Anand Murarilal Agarwal the company is primarily engaged in manufacturing of M S billets and TMT bars. The unit has installed capacity of 60000 MT Per Annum.

### Financials:

(INR Crore)

For the year ended/ As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	204.66	272.63
EBITDA	3.78	9.88
PAT	1.78	2.62
Total Debt	25.95	52.67
Adjusted Tangible Net-worth	7.24	13.78
<b>Ratios</b>		
EBITDA Margin (%)	1.85	3.62
PAT Margin (%)	0.86	0.95
Overall Gearing Ratio (x)	3.58	3.82

\*Classification as per Infomerics standard

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr.	Name of	Current Ratings	Rating History for the past 3
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No.	Instrument/ Facilities	(Year 2023-24)			years		
		Type	Amount outstand ing (INR Crore)	Rating – Jan 03, 2024	Date(s) & Rating(s) assigned in 2022- 23 – 19 <sup>th</sup> Oct, 2022	Date(s) & Rating(s) assigned in 2021- 22	Date(s) & Rating(s) assigned in 2020- 21
1	Long Term Fund based Bank Facilities – Term Loan	Long Term	20.42	IVR BB / Stable	IVR BB / Stable	--	--
2	Long Term Fund based Bank Facilities – Cash Credit	Long Term	19.00	IVR BB / Stable	IVR BB / Stable	--	--
3	Long Term Fund based Bank Facilities – Overdraft	Long Term	1.75	IVR BB / Stable	IVR BB / Stable	--	--
4	Short Term Non-Fund based Bank Facilities – Letter of Credit	Short Term	4.00	IVR A4	IVR A4	--	--
5	Short Term Non-Fund based Bank Facilities – Bank Guarantee	Short Term	7.00	IVR A4	IVR A4	--	--

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Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986



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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 the best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates a 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).

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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 Fund based Bank Facilities – Term Loan	--	--	--	20.42	IVR BB / Stable
Long Term Fund based Bank Facilities – Cash Credit	--	--	--	19.00	IVR BB / Stable
Long Term Fund based Bank Facilities – Overdraft	--	--	--	1.75	IVR BB / Stable
Short Term Non-Fund based Bank Facilities – Letter of Credit	--	--	--	4.00	IVR A4
Short Term Non-Fund based Bank Facilities – Bank Guarantee	--	--	--	7.00	IVR A4

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-SKSAPL-jan24.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 <https://www.infomerics.com/>.