



Press Release

Shree Banke Bihari Ispat Private Limited

October 28, 2024

Ratings

Security Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	29.88	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Total	29.88 (Rupees Twenty-nine crore and eighty-eight 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

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 reaffirmation in the rating assigned to the bank facilities of SBB IPL factors in the improvement in business performance of the BPA group in FY2024 (FY refers to the period from April 01 till March 31) and in H1FY2025. The rating also positively notes the comfortable capital structure and improvement in debt coverage indicators of the group in FY2024. Further, the rating continues to derive comfort from 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 cyclicity in the steel industry.

The outlook continues to remain stable as BPA group's profits and accruals are likely to remain healthy going forward on the back of its semi-integrated nature of operations across the value chain and stable demand scenario for steel products, which would aid the company in keeping its credit metrics comfortable.



Press Release

Key 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
- Moderation in liquidity position due to stretch in operating cycle

List of Key Rating Drivers with Detailed Description

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 the industry for 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 day-to-day operations.

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 commenced from October 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 FY2024 and in H1FY2025



Press Release

The total operating income (TOI) of the group increased at a CAGR of ~35% during FY2021-FY2024 with a y-o-y growth of ~18% from Rs.430.18 crore in FY2023 to Rs.509.10 crore in FY2024 driven by increase in volume sales of sponge iron and billet, despite the decrease in average sales realisation. The manufacturing and sales of TMT bars from October 2023 onwards added to the increase in top line in FY2024. With increase in topline, EBITDA margin increased marginally from 8.35% in FY2023 to 9.15% in FY2024 owing to better production efficiency resulting in benefits of economies of scale. Consequently, PAT margin also increased marginally from 3.62% in FY2023 to 3.85% in FY2024. GCA also increased from Rs.22.84 crore in FY2023 to Rs.29.11 crore in FY2024. The business performance of the group also witnessed an improvement in H1FY2025 wherein the group achieved a PBT of Rs.16.84 crore on a TOI of Rs.286.99 crore as against a PBT of Rs.11.06 crore on a TOI of Rs.239.79 crore during H1FY2024.

On standalone basis, SBB IPL achieved PAT of Rs.4.57 crore (PY: Rs.3.45 crore) on a TOI of Rs.258.39 crore (PY:236.61 crore) in FY2024. The ability of the group to sustain the growth in its scale of operations while continuously increasing its profit margins will remain a key rating monitorable going forward.

Comfortable capital structure and debt coverage indicators in FY2024

The debt profile of the group consists of term loans from banks, unsecured loans (unsubordinated) and working capital borrowings. The capital structure of the group improved with overall gearing of 1.36x as on March 31, 2024, as against 1.73x as on March 31, 2023, driven by subsequent repayment of term loans and unsecured loans and accretion of profits to reserves. Total indebtedness as reflected by TOL/ANW remained comfortable at 1.76x as on March 31, 2024. ICR though moderated marginally from 3.64x in FY2023 to 3.38x in FY2024 yet remained comfortable. Total debt/EBITDA and Total debt/GCA also improved from 3.87x and 6.08x respectively as on March 31, 2023, to 2.89x and 4.63x respectively as on March 31, 2024.

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.



Press Release

Intense competition and cyclicity in the steel industry:

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. 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 has 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: Combined

For arriving at the rating, Infomerics has combined the financial risk profiles of Shree Rupanadham Steel Private Limited and Shree Banke Bihari Ispat Private Limited 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 hold 4.15% shares in Shree Rupanadham Steel Private Limited as on March 31, 2024. List of entities considered for combined analysis is given at Annexure 4.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

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

[Consolidation of companies](#)

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 in the near to medium term. The group had free cash and cash equivalents of Rs.5.59 crore as on August 31, 2024, which is likely to support the liquidity position of the group in the near to medium term. Moreover, the average working capital utilisation remained in the range of ~65-70% during the past twelve months ended August 31, 2024, indicating comfortable cushion in its working capital limits.



Press Release

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. The manufacturing facility is located at Saraipali, Raigarh.

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 and sponge iron with installed capacity of 1,23,500 MTPA and 1,20,000 MTPA respectively. The company also started manufacturing of TMT bars from October 2023 onwards with annual installed capacity of 94,800 MTPA. The manufacturing facility is located at Saraipali, Raigarh.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	236.61	258.39
Total Income	237.26	259.53
EBITDA	7.54	8.51
PAT	3.45	4.57
Total Debt	25.89	20.14
Adjusted Net worth	20.33	24.58
EBITDA Margin (%)	3.19	3.29
PAT Margin (%)	1.45	1.76
Overall Gearing Ratio (x)	1.27	0.82
Interest Coverage Ratio (x)	2.78	3.47

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Rating (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
					August 30, 2023	June 09, 2022	November 16, 2021
1	Cash Credit	Long Term	24.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	IVR BB+/Positive
2	Proposed Cash Credit	Long Term	2.35	IVR BBB/Stable	-	-	-
3	Term Loan	Long Term	1.79* (Reduced from Rs. 2.93 crore)	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	IVR BB+/Positive
4	GECL	Long Term	1.74* (Reduced from Rs. 2.95 crore)	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	IVR BB+/Positive

*Outstanding as on August 31st, 2024

Analytical Contacts:

Name: Ms. Harshita Gupta	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: hdidwania@infomerics.com	Email: apodder@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.

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.



Press Release

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

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Security/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	1.79*	IVR BBB; Stable
GECL Extension	-	-	-	November 2026	1.74*	IVR BBB; Stable
Cash Credit	-	-	-	-	26.35 (including proposed limit of Rs.2.35 crore)	IVR BBB; Stable

* Outstanding as on August 31st, 2024

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BankeBihari-Ispat-oct24.pdf>

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

Annexure 4: List of companies considered for Combined analysis:

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

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.