



## Press Release

### Sri Satyam Ispat Industries India Private Limited (SSIIPL)

January 05, 2024

#### Ratings

Instrument/ Facilities	Amount (INR crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	100.20	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)	Assigned	Simple
Short Term Bank Facility	40.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>140.20</b> <b>(Rupees One Hundred and Forty crore and Twenty Lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Sri Satyam Ispat Industries India Private Limited (SSIIPL) derives strength from extensive experience of its promoter in the steel industry, prudent working capital management and favourable industry outlook. The ratings also considers consistent improvement in the financial performance coupled with satisfactory financial risk profile marked by its comfortable capital structure and debt protection metrics. However, these rating strengths remain constrained by exposure to intense competition and exposure to cyclicalities in the steel industry.

#### Key Rating Sensitivities:

##### Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure with improvement in TOL/TNW to below 2x and rise in interest coverage ratio to over 4x.
- Improvement in working capital management leading to improvement in operating cycle and liquidity.

##### Downward Factors



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- Decline in revenue and profitability leading to deterioration in debt protection metrics on a sustained basis
- Any unplanned capex leading to impairment in the capital structure with moderation in overall gearing to over 2x and interest coverage to below 2x
- Increase in operating cycle impacting liquidity.

### List of key rating driver with detailed description

#### Key rating strengths:

- **Extensive experience of promoter**

The company is promoted by Mr. Vamsidhar Thiruvudhi who has extensive experience of over two decades in the field of mining and trading of various construction materials. The company will continue to benefit from its promoter's extensive experience and their strong understanding of the market dynamics.

- **Consistent improvement in financial performance**

The total operating income of the company grew at a CAGR of ~126% during FY21-FY23 with a y-o-y growth of ~92% in FY23. This growth is mainly driven by improving demand from construction sector underpinned by enhancement in working capital limits. In H1 FY24, SSIIPL has already managed to clock revenue of Rs.313.34 crore. Increase in scale of operations led to improvement in profitability. Operating profit has increased from Rs. 12.05 crore in FY22 to Rs. 24.26 crore in FY23. EBITDA margin has increased slightly from 4.29% in FY22 to 4.49% in FY23. Subsequently, PAT margin has also increased from 2.27% in FY22 to 2.49% in FY23. In FY23, the company has earned gross cash accruals of Rs.13.99 crore as against Rs. 6.91 crore in FY22.

- **Satisfactory financial risk profile**

The financial risk profile of the company remained satisfactory. Debt coverage indicators as depicted by Interest Coverage Ratio stood satisfactory at 3.48x in FY23 (2.88x in FY22) and Total Debt/ EBITDA stood at 2.72 times as on March 31,2023 (3.53 times as on March 31,2022). The tangible net worth of the company includes subordinated unsecured loan of Rs.13.32 crore. Based on the tangible net worth including quasi equity, the long-term debt equity ratio and overall gearing ratio stood at 0.26x and 1.71x respectively as on March 31,2023 as against 0.31x and 1.69x respectively as on March 31, 2022. Total indebtedness



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of the company marked by TOL/TNW including quasi equity stood moderate at 3.78x as on March 31, 2023 as compared to 3.14x as on March 31, 2022.

- **Favourable industry outlook**

The Company is engaged in trading of sponge iron, TMT bars, customized structural steel bars, G.I. coil, deck sheets, cement, ready-mix concrete etc. which act as raw materials for construction business. The construction industry is expected to see steady demand from both real estate and infrastructure sectors, which have picked up in recent times across India including the southern states.

- **Prudent working capital management**

Operating cycle of the company remained comfortable at 42 days in FY23. The operating cycle remained comfortable on account of low inventory days (1 day). The average working capital utilisation was moderate at ~83% during the last 12 months ending November 2023, which imparts sufficient liquidity buffer.

### **Key rating weaknesses**

- **Presence in a fragmented industry structure with intense competition**

The entity is engaged in trading business of various steel products which is highly competitive in nature because of low entry barriers. The products come with very little differentiation. The presence of many players in the operating spectrum constrains the pricing flexibility of the entity to a large extent. The company is also exposed to high cyclicity engaged in the steel industry.

- **Exposure to cyclicity in the steel industry**

The steel industry is highly cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning Rating Outlook](#)

[Policy on Default Recognition](#)

**Liquidity position: Adequate**



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The liquidity of the company is expected to remain adequate in the near to medium term marked by its sufficient cash accruals vis-à-vis its debt repayment obligations. The company is expected to earn cash accruals in the range of ~Rs. 26.00-37.20 crore which is expected to be sufficient to meet its debt obligations during FY24-FY26. Further, the average working capital utilization of the company remained satisfactory at ~83% indicating moderate liquidity buffer.

### About the Company

SSIIPL was incorporated in 2015 and started its business operations from February 2019. The Company is engaged in trading of construction materials mainly TMT bars and structural steel. The company also trades in other construction materials such as cement, ready-mix concrete, G.I. coil, deck sheets, etc. The company is an authorised dealer of Jindal Steel & Power Limited and JSW Steel Limited.

The company is promoted by Mr. Vamshidhar Thiruvudhi, who has over two decades of experience in trading business of steel products. The company has its registered office in Hyderabad, Telengana.

### Financials of Sri Satyam Ispat Industries India Private Limited (Standalone):

(Rs. crore)

For the year ended*/ as on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	281.03	540.69
EBITDA	12.05	24.26
PAT	6.39	13.48
Total Debt	42.55	66.05
Tangible Net Worth	23.43	36.32
Adjusted Tangible Net Worth	25.19	38.58
EBITDA Margin (%)	4.29	4.49
PAT Margin (%)	2.27	2.49
Overall Gearing Ratio (x)	2.35	2.19
Adjusted Overall Gearing Ratio (x)	1.69	1.71
Interest Coverage Ratio	2.88	3.48

\*Classification as per Infomerics' Standard

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil



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### 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
1	Term loan	Long Term	4.20	IVR BBB-/ Stable	-	-	-
2	Cash Credit	Long Term	39.00	IVR BBB-/ Stable	-	-	-
3	e- DFS	Long Term	57.00	IVR BBB-/ Stable	-	-	-
4	Letter of Credit	Short Term	40.00	IVR A3	-	-	-

\* Outstanding as on Oct 31, 2023

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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).





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term loan	-	-	Nov 2026	4.20	IVR BBB-/ Stable
Cash Credit	-	-	-	39.00	IVR BBB-/ Stable
e-DFS	-	-	-	57.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	40.00	IVR A3
<b>Total</b>				<b>140.20</b>	

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-SriSatyam-Ispat-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 [www.infomerics.com](http://www.infomerics.com).