



## Press Release

### Scan Energy & Power Limited

March 21, 2025

#### Ratings

| Instrument / Facility     | Amount (Rs. crore)                          | Current Ratings  | Previous Ratings   | Rating Action | <a href="#">Complexity Indicator</a> |
|---------------------------|---|--|--|---------------|--------------------------------------|
| Long Term Bank Facilities | 65.00<br>(enhanced from Rs. 52.50 crore)    | IVR BBB-/ Stable<br>(IVR Triple B minus with stable outlook) | IVR BBB-/ Stable<br>(IVR Triple B minus with stable outlook) | Reaffirmed    | Simple                               |
| <b>Total</b>              | 65.00<br><b>(INR Sixty-five crore only)</b> |  |  |               |                                      |

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 reaffirmation of the rating to the bank facilities of Scan Energy & Power Limited (SEPL) continues to derive strength from extensive experience of the promoters in the steel industry and satisfactory business performance of the company in FY24 [FY refers to the period from April 1 to March 31] and subsequently in 10MFY25 leading to satisfactory financial risk profile. However, these rating strengths continue to remain constrained by exposure to intense competition, fragmented nature of industry and exposure to cyclicity in the steel industry. The stable outlook reflects that the company will benefit from extensive experience of promoters with stable business performance.

#### Key Rating Sensitivities

##### Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and/or improvement in debt protection metrics

##### Downward Factors



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- Decline in revenue and profitability leading to deterioration in gross cash accruals and moderation in debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing ratio to above 1.5x
- Moderation in operating cycle impacting the liquidity

### List of key rating driver with detailed description

#### Key rating strengths:

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

The promoter of the company has more than two decades of experience in trading and manufacturing iron and steel products. Long standing business experience of the promoter has helped the company to build established relationships with both customers and suppliers.

- **Satisfactory business performance in FY24 and in 10MFY25**

Total operating income declined on a y-o-y by ~7% to Rs.838.27 crore in FY24 mainly due to reduction in average sales price realisation per MT. However, operating profit margin improved supported by lower input cost. Consequent to the rise in profitability, gross cash accruals have also improved from Rs.26.05 crore in FY23 to Rs.28.37 crore in FY24. Further, in 10MFY25, the company achieved a revenue of ~Rs. 562 crore.

- **Satisfactory financial risk profile**

The financial risk profile of the company remained satisfactory. The tangible net worth of the company includes subordinated unsecured loan of Rs.20 crore. Based on the tangible net worth including quasi equity, the long-term debt equity ratio and overall gearing ratio stood comfortable at 0.42x and 0.69x respectively as on March 31,2024 as against 0.46x and 0.52x respectively as on March 31, 2023. Total indebtedness of the company marked by TOL/ATNW stood satisfactory at 1.45x as on March 31,2024 as compared to 1.46x as on March 31, 2023. The interest coverage ratio moderated from 2.89x in FY23 to 2.23x in FY24. Total debt/GCA and Total debt to EBITDA stood moderate at 3.86 years and 2.31x respectively as on March 31, 2024.

#### Key rating weaknesses



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- **Highly competitive and fragmented nature of industry**

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

The steel industry is sensitive to the business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Furthermore, the producers of steel & related products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility of the steel industry.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

[Policy on default recognition](#)

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

**Liquidity: Adequate**

The liquidity position of the company is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals as against its minimal debt repayment obligations. The average cash credit limit utilisation stood at ~82% during the past 12 months ended December 2024 indicating moderate liquidity buffer.

**About the Company**

Incorporated in 2007, Scan Energy & Power Ltd (SEPL) was promoted by Mr. Nimish Gadodia who has more than 25 years of experience in the iron & steel industry. The company is engaged in manufacturing steel billet and TMT/wire rod with capacities of 182500 MTPA each in Telangana, Andhra Pradesh.



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### Financials of Scan Energy & Power Ltd (Standalone):

(Rs. crore)

| For the year ended*/ as on  | 31-03-2023     | 31-03-2024     |
|-----------------------------|----------------|----------------|
|                             | <b>Audited</b> | <b>Audited</b> |
| Total Operating Income      | 896.95         | 838.27         |
| EBITDA                      | 38.97          | 47.38          |
| PAT                         | 20.32          | 19.33          |
| Total Debt                  | 71.03          | 109.39         |
| Tangible Net Worth          | 118.41         | 138.93         |
| EBITDA Margin (%)           | 4.34           | 5.65           |
| PAT Margin (%)              | 2.26           | 2.30           |
| Overall Gearing Ratio (x)   | 0.52           | 0.69           |
| Interest Coverage Ratio (x) | 2.89           | 2.23           |

\*Classification as per Infomerics' Standard

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

### Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2024-25) |                                |                  | Rating History for the past 3 years     |   |   |   |
|---------|-------------------------------|-------------------------------|--------------------------------|------------------|---|---|---|---|
|         |                               | Type                          | Amount outstanding (Rs. Crore) | Rating           | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
|         |                               |                               |                                |                  | <b>Jan 17, 2024</b>                     | <b>May 12, 2023</b>                     |   |   |
| 1       | Term Loan                     | LT                            | 3.33*                          | IVR BBB-/ Stable | IVR BBB-/ Stable                        | IVR BB+/ Stable                         | -                                       | -                                       |
| 2       | Cash Credit                   | LT                            | 25.00                          | IVR BBB-/ Stable | IVR BBB-/ Stable                        | IVR BB+/ Stable                         | -                                       | -                                       |
| 3       | WCDL                          | LT                            | 35.00                          | IVR BBB-/ Stable | IVR BBB-/ Stable                        | -                                       | -                                       | -                                       |
| 4       | Proposed Cash Credit          | LT                            | 1.67                           | IVR BBB-/ Stable | IVR BBB-/ Stable                        | -                                       | -                                       | -                                       |

\* Outstanding as on January 01, 2025



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### Analytical Contacts:

|   |   |
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### About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [formerly Infomerics Valuation and Rating Private Limited] 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     | Date of Issuance | Coupon Rate | Tenor/ Maturity | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|----------------------|------------------|-------------|-----------------|------------------------------|--------------------------|
| Term loan            | -                | -           | Sep 2025        | 3.33*                        | IVR BBB-/ Stable         |
| Cash Credit          | -                | -           | -               | 25.00                        | IVR BBB-/ Stable         |
| WCDL                 | -                | -           | -               | 35.00                        | IVR BBB-/ Stable         |
| Proposed Cash Credit | -                | -           | -               | 1.67                         | IVR BBB-/ Stable         |
| <b>Total</b>         |                  |             |                 | <b>65.00</b>                 |                          |

\*Outstanding as on January 01, 2025

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-scanenergy-mar25.pdf>

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

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