



Press Release

Shree Banke Bihari Ispat Private Limited (SBB IPL)

November 16, 2021

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term Facilities - Fund Based Limits - Cash Credit	24.00 (Increased from 9.50)	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed and Outlook revised
Long Term Facilities - Fund Based Limits – Term Loan	4.57 (Reduced from 5.39)	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed and Outlook revised
Long Term Facilities - Fund Based Limits- GECL/ CECL	1.74	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Rating Assigned
Total	30.31 (increased from 14.89)		

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in outlook to positive from stable reflects improvement in revenue & profitability in FY21 and expected substantial improvement in revenue in FY22 and beyond majorly on account of incremental benefits from ongoing capex which is scheduled to be completed by January 2022.

The affirmation of the ratings assigned to the bank facilities of Shree Banke Bihari Ispat Private Limited continue to derive strength from its experienced promoter & management team, healthy revenue growth and improving profitability, CAPEX to provide economies of scale and healthy capital structure and financial risk profile. However, the rating strengths are partially offset by risk associated with volatility in the raw material prices, intense competition and cyclicity in the steel industry.

Key Rating Sensitivities:



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Upward Factors:

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics on a consolidated basis.

Downward Factors:

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics on a consolidated basis.

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 steel industry and is instrumental in development of the group. Having operated in industry since years now, the management has established a strong network with suppliers and customers. Beside the promoter, 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.

Healthy revenue growth and improving profitability:

The Group witnessed a healthy growth in operation with increase of about ~21% in turnover to INR 200.60 Crore in FY21 from INR 166.39 Crore in FY20 due to increase in volume coupled with increased average sales realization. EBITDA margin grew to 6.31% in FY21 (FY20: 4.12%) and PAT to 2.14% in FY21 (1.49%). The increase in margins was due to increase realisation which led to inventory profit and also positive demand outlook for the products. The margins expected to remain sustainable in the short to medium term due to ongoing CAPEX.

During 5M FY22, the group has registered around 90% growth in revenue while comparing to 5 months revenue of FY21.

CAPEX to provide economies of scale:

At present, the Group manufactures MS Billets with an installed capacity of 1,05,110 MTPA and sponge iron with an installed capacity of 60,000 MTPA. Moreover, as a backward & forward integration, the group is setting up an additional Sponge Iron of 30000 MTPA, MS Billets of 76750 MTPA and Steel Rolling Plant of 94800 MTPA, and 2 Power Plant (6 MW Waste Heat Recovery Power Plant and 4 MW Coal based power plant) which will help the group reducing the expenditure on cost of production (power consumption).



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The total project cost of INR 87.00 Crore, proposed to be funded by way of term loan of INR 45.00 Crore and remaining of INR 42.00 Crore from promoters' contribution by way of additional long-term funds (Equity & USL) and internal accruals. Management expects to fully commission by January 2022.

Healthy capital structure and financial risk profile:

Group's capital structure remained healthy albeit marginal decline in FY21 due to increase in term debt taken for ongoing capex. The Long Term Debt Equity ratio was around 0.49x in FY21 (FY20: 0.16x) and overall gearing ratio stood at 0.78x in FY21 as against 0.54x in FY20. The adjusted net worth of group's stood at INR 76.84 Crore as on 31 March 2021 (INR 67.42 Crore). Total debt increased to INR 59.59 Crore in FY21 (INR 36.29 Crore). TOL/ATNW stood at 0.98x as on 31 March 2021 (0.75x) and Total debt/GCA was at 8.84x in FY21 as against 8.51x in FY20. Debt protection parameters though improved but still remains moderate with interest coverage ratio of 2.38x in FY21 (2.52x). Total debt/GCA, interest coverage & other debt protection metrics expected to remain healthy moving forward.

Key Rating Weaknesses:

Risk associated with volatility in the raw material prices:

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

The steel manufacturing businesses is characterised 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 Group. The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including Group. 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 group's operations are vulnerable to any adverse change in the global demand-supply dynamics



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Analytical Approach: Consolidated Approach

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 Shree Banke Bihari Group as these entities are running under a common management, have strong operational and financial linkages. Additionally, Shree Banke Bihari Ispat Private Limited hold 4.28% of shares in Shree Rupanadham Steel Private Limited as on 31st March 2021.

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity position of the group remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the group had gross cash accruals of INR 6.74 Crore in FY21. The average cash credit utilization remains comfortable during the last 12 months ended September 2021. The current ratio stood at 1.61 times as on 31st March 2021. The cash & cash equivalent was INR 0.28 Crore as on 31st March 2021.

About the Company: Shree Rupanadham Steel Private Limited

Incorporated in 2007, Shree Rupanadham Steel Private Limited, a part of Shree Banke Bihari group is in the secondary steel business for more than a decade with expertise in manufacture of MS ingots and sponge iron with installed capacity of 46,750 MT per annum and 60000 MT respectively. The facility is located at Saraipali, Raigarh.

About the Company: Shree Banke Bihari Ispat Private Limited

Mr. Bhola Prasad Agrawal incorporated Shree Banke Bihari Ispat Private Limited (SBB IPL) in 2004. This Raigarh, Chhattisgarh based company manufactures sponge iron and mild steel (MS) billets. Currently the company is managed by Mr. Pawan Agarwal, Mr. Ajay Agarwal (s/o of Mr. Bhola Prasad Agrawal) and Mr. Mayan Agarwal (s/o of Mr. Pawan Agarwal).

Financials: Consolidated (Shree Banke Bihari Group)

(INR Crore)

For the year ended/ As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	166.39	200.60
EBITDA	6.85	12.65
PAT	2.48	4.30
Total Debt	36.29	59.59



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Adjusted Tangible Net-worth	67.42	76.84
Ratios		
EBITDA Margin (%)	4.12	6.31
PAT Margin (%)	1.49	2.14
Overall Gearing Ratio (x)	0.54	0.78

Financials: Standalone (Shree Banke Bihari Ispat Private Limited)

(INR Crore)

For the year ended/ As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	46.02	160.62
EBITDA	1.42	5.11
PAT	0.58	2.13
Total Debt	12.62	17.93
Adjusted Tangible Net-worth	17.03	18.99
Ratios		
EBITDA Margin (%)	3.08	3.18
PAT Margin (%)	1.25	1.32
Overall Gearing Ratio (x)	0.74	0.94

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (20/Oct/20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Facilities - Fund Based Limits - Cash Credit	Long Term	24.00	IVR BB+/ Positive	IVR BB+ /Stable	--	--
2.	Long Term Facilities - Fund Based Limits - Term Loans	Long Term	4.57	IVR BB+/ Positive	IVR BB+ /Stable	--	--



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3.	Long Term Facilities - Fund Based Limits- GECL/ CECL	Long Term	1.74	IVR BB+/ Positive	--	--	--
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 Facilities - Fund Based Limits - Cash Credit	--	--	--	24.00	IVR BB+/ Positive
Long Term Facilities - Fund Based Limits - Term Loans	--	--	Upto Oct 2025	4.57	IVR BB+/ Positive
Long Term Facilities - Fund Based Limits- GECL/ CECL	--	--	Upto May 2024	1.74	IVR BB+/ Positive

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Shree Rupanadham Steel Private Limited (SRSPL)	Full*
Shree Banke Bihari Ispat Private Limited (SBB IPL)	Full*

**Intercompany transaction has been adjusted as per Infomerics standard.*

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Shree-banke-bihari-lenders-nov21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities:

Sr. No.	Instrument	Complexity Indicator
1	Long Term Facilities - Fund Based Limits - Cash Credit	Simple
2	Long Term Facilities - Fund Based Limits - Term Loans	Simple
3	Long Term Facilities - Fund Based Limits- GECL/ CECL	Simple

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/>.