

**Press Release**

**S. Pyarelal Ispat Private Limited**

**September 26, 2018**

**Rating**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crores)</b>	<b>Rating Assigned</b>	<b>Rating Action</b>
1.	Long Term Fund Based Limits	14.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Long Term Debt - Term Loan	4.04	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	
	<b>Total</b>	<b>18.04</b>		

**Details of Facilities are in Annexure I**

**Detailed Rationale**

The aforesaid ratings derive comfort from experienced promoters and management, strategic location of the plant, substantial increase in scale of operation over the last two years and efficient working capital management. The ratings are however constrained by low profitability margins; albeit improvement, moderate gearing and debt coverage indicators, volatility in the prices of raw materials and finished goods and high competition and cyclicity in steel industry. Growth in scale of operation, capital structure and profitability are the key rating sensitivities.

**List of Key Rating Drivers**

- Experienced promoters and management
- Strategic location of the plant
- Substantial increase in scale of operation over the last two years
- Efficient working capital management
- Low profitability margins; albeit improvement
- Moderate gearing and debt coverage indicators
- Volatility in the prices of raw materials and finished goods
- High competition and cyclicity in the steel industry

## Detailed Description of the Key Rating Drivers

### Key Rating Strengths

#### Experienced promoters and management

Mr. Brijlal Goyal has been in the plastic business since 1992 and in the steel industry since 2004. The second generation entrepreneurs, Mr. Manoj Kumar Goyal and Mr. Pankaj Goyal comprise the Board of Directors of the company. Mr. Manoj Kumar Goyal has vast experience of over 18 years in the steel and allied industry. Mr. Pankaj Goyal also has over five years of experience in the steel industry.

#### Strategic location of the plant

The manufacturing facility of SPIPL is strategically located in Urla industrial area, situated close to Raipur (capital of Chhattisgarh). SPIPL can leverage its locational advantage to sell its products across the country.

#### Substantial increase in scale of operation over the last two years

The scale of operation of the company increased considerably from Rs.50.65 crore in FY16 to Rs.104.98 crore in FY17 and to Rs.177.26 crore in FY18 due to completion of capex undertaken (completed in May 2016) coupled with increase in capacity utilization thereafter.

#### Efficient working capital management

The operating cycle for the company is comfortable, being in the range of 30-40 days during the last three years. The average utilization of the fund based working capital limit was at around 74% during last 12 months ended July 31, 2018, besides such limit being low vis-à-vis total revenue.

### Key Rating Weaknesses

#### Low profitability margins; albeit improvement

The EBIDTA margin witnessed a decline from 4.35% in FY17 to 3.65% in FY18 to achieve higher level of sales (Rs.177.26 crore in FY18 vis-à-vis Rs.104.98 crore in FY17). However, SPIPL has reported EBITDA margin of 11.18% in Q1FY19 as against 3.65% in FY18, the improvement in margin is on account of growth in sales (increase by 55% on an annualized basis) coupled with rise in sales realization.

#### Moderate gearing and debt coverage indicators

The overall gearing of the company was moderate at 2.18x as on March 31, 2018.

The debt coverage parameters improved and were, by and large, comfortable. The interest coverage ratio stood at 2.39x in FY18.

### **Volatility in the prices of raw materials and finished goods**

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods.

### **High competition and cyclical in the steel industry**

The Brijdham group mainly operates in Chhattisgarh, which is quite known in the domestic steel & ancillary segment. SPIPL faces competition not only from the established players, but also from the unorganized sector players as there is a low level of product differentiation. The steel industry is also cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices. But the current outlook for the steel industry appears to be good with robust demand in the domestic market.

### **Analytical Approach & Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **About the Company**

S. Pyarelal Ispat Pvt Ltd. (SPIPL) was incorporated as Brijdham Polythene Pvt. Ltd. by Mr. Brijlal Goyal and his family in February 2009. The name of the company was changed to S. Pyarelal Ispat Pvt. Ltd. in November 2009, when the promoters set up a mild steel (M.S) ingot manufacturing facility in Urla industrial area near Raipur, Chhattisgarh under this company. The company commenced operation in September 2010 with a capacity of 30,000 MTPA. Mr. Brijlal Goyal is a first generation entrepreneur, who founded the Brijdham group in 1992. The group was solely involved in the plastic business till 2004. Subsequently, the group ventured in steel by acquiring Ganpati Sponge Iron Pvt. Ltd. in November 2004. The businesses (various group companies) since then have been managed by the second generation of the Goyal family.

Earlier, SPIPL used to manufacture M.S ingots. However, the company switched over to manufacturing M.S. billets since June 2016. The company installed two additional induction furnaces (IF's), a Continuous Caster Machine (CCM) for manufacturing billets and a rolling mill (for M.S structure products) at a cost of about Rs.13.7 crore. This increased the capacity of the facility from 30,000 MT p.a. to 60,000 MT p.a. Also, the operations of SPIPL are fully integrated and ISO: 9001/2008 certified.

**Financials (Standalone)**

	(Rs. crore)	
For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	104.98	177.26
EBITDA	4.57	6.47
PAT	0.19	0.71
Total Debt	25.55	25.19
Tangible Networth	10.87	11.54
<b><u>Ratios</u></b>		
EBITDA Margin (%)	4.35	3.65
PAT Margin (%)	0.18	0.40
Overall Gearing Ratio (x)	2.35	2.18

Note: Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A**

**Any other information: N.A**

**Disclosure:**

**Rating History for last three years:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Fund Based Facilities	Long Term	14.00	IVR BBB- /Stable Outlook	--	--	--
2.	Term Loan	Long Term	4.04	IVR BBB- /Stable Outlook	--	--	--

**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).

## Name and Contact Details of the Rating Analyst:

Name: Mr. Abhilash Dash

Tel: (022) 40036966

Email: [adash@infomerics.com](mailto:adash@infomerics.com)

## 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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**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, suspend 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long Term Fund Based Facilities- Cash Credit	-	-	-	14.00	IVR BBB-/Stable Outlook
Long Term Debt- Term Loan	-	-	December 2023	4.04	IVR BBB-/Stable Outlook