



Press Release
Supra Steel And Power Private Limited
November 27, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	13.00	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	5.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘ACUITE BB-’ (read as ACUITE double B minus) from ‘ACUITE B’ (read as ACUITE B) on Rs.13 Cr. bank facilities of Supra Steel and Power Private Limited. The outlook is ‘Stable’.

Acuite has further assigned the long-term rating to ‘ACUITE BB-’ (read as ACUITE double B minus) and short-term rating to ‘ACUITE A4’ (read as ACUITE A four) on the Rs.52.00 Cr. bank facilities of Supra Steel and Power Private Limited. The outlook is ‘Stable’.

Rationale for Rating

The rating upgrade reflects steady business risk profile marked by moderate revenue despite a marginal decline due to low price realizations for finished products but partially offset by increase in sales volume. The operating profitability margin stood at 5.94 percent in FY24 as against 4.15 percent in FY23 due decrease in cost of raw materials. The rating also draws comfort from the average financial risk profile marked by moderate capital structure and debt protection metrics. The upcoming capex plan for expansion will give operational advantage to the company. The company has good relationship with customers and suppliers in south Indian market. These strengths are however constrained by the intensive working capital cycle and inherent cyclicity in the steel business and the intense competition in the industry, which makes margins and cash flows vulnerable to fluctuations in prices and demand.

About the Company

Supra Steel And Power Private Limited (SSPPL) was established in 2005 by Mr. Shashi Kumar Singh and Mrs. Sandhya Kumari. The company is engaged in the manufacturing of sponge iron and has installed capacity of 200 Tonnes Per Day (TPD). The manufacturing facility is located at Bellary, Karnataka.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone financial and business risk profile of SSPPL.

Key Rating Drivers

Strengths

Steady business risk profile albeit decline in revenue and improving margins

The company has achieved an operating income of Rs.113.75 Cr. in FY24 as compared to Rs.122.04 Cr. in FY23 and Rs. 105.18 Cr. in FY22. The decline in revenue is due to lower price realizations for finished products but partially offset by increase in sales volume. The company has reported revenues of ~Rs.96.56 Cr. till October

2024. The EBITDA margin stood at 5.94 percent in FY24 as against 4.15 percent in FY23 due decrease in cost of raw materials. The PAT margin stood at 1.40 percent in FY24 as against 1.09 percent in FY23 and 1.43 percent in FY22. Acuite believes that the scale of operations will improve over the medium term due to capacity additions over the medium term.

Weaknesses

Average Financial Risk Profile

The Company has an average financial risk profile marked by its moderate net worth and gearing, and low debt protection metrics. The tangible networth increased to Rs.37.17 Cr. as on March 31, 2024 from Rs. 30.05 Cr. as on March 31, 2023 and Rs.13.77 Cr. as on March 31, 2022, due to accretion of reserves. The equity share capital increased to Rs. 14.40 Cr. in FY23 as against Rs. 5.05 Cr. in FY22 due to equity capital infusion of Rs.10 Cr. by promoters for undertaking their capex plan for capacity expansion. Acuite has also treated Rs. 10.47 Cr. as quasi equity as the same has been subordinated to bank loans. Adjusted Gearing of the Company stood at 1.46 times in FY2024 as against 1.51 times in FY2023 and 1.17 times in FY22. The debt protection metrics remained low with Interest Coverage Ratio (ICR) at 1.85 times and Debt Service Coverage Ratio at 1.17 times, as on March 31, 2024. Acuite believes that the financial risk profile of the Company will improve over the medium term.

Intensive Working Capital Management

The Company has a working capital cycle as reflected from 250 days of GCA days in FY24 as against 199 days in FY23 and 174 days in FY22. The inventory days stood at 133 days in FY24 as against 65 days in FY23 and 51 days in FY22, this was largely because there was a build-up of inventory during year end for 2nd kiln which became operational in November 2023 as part of expansion plan. The Company's debtor days stood comfortable at 48 days in FY24 as against 106 days in FY23 and 57 days in FY22. The current assets also include advances for material of Rs. 18.16 Cr. and other statutory tax receivables of Rs. 2.11 Cr. The creditor days stood at 111 days in FY24 as against 60 days in FY23 and 67 days in FY22. Acuite believes working capital requirement is expected to improve over medium term.

Cyclical nature of the steel industry

The company's performance remains vulnerable to cyclicity in the steel sector as demand for steel depends on performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the company is exposed to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods.

Rating Sensitivities

- Movement in operating income and profitability
- Working capital cycle
- Movement in capital structure and debt protection metrics

Liquidity Position

Adequate

The liquidity profile of the Company remained adequate reflected by low but steady cash accruals, low current ratio, moderate debt funded capex plan and high dependence on bank limit utilisation for meeting working capital requirement although supported by financial flexibility of promoters to infuse funds in business. The net cash accrual stood at Rs 2.65 Cr. in FY24 vis-à-vis debt repayments of Rs. 1.71 Cr. during that period. The current ratio stood low at 1.04 times and cash & bank balance stood at Rs.0.78 Cr. in FY2024. The average working capital limit utilisation (consolidated) stood at ~97.43 percent during last 6 months ended October 2024. Although, liquidity is supported by financial flexibility of the promoters to infuse fund in business from time to time. As on March 31, 2024, the management has infused Rs.10.47 Cr. of unsecured loans being treated as quasi equity. Acuite expects liquidity profile of the Company to remain at similar levels due to low but steady accruals, low current ratio, high dependence on bank lines to meet working capital requirement and present capex plan.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	113.75	122.04
PAT	Rs. Cr.	1.59	1.34
PAT Margin	(%)	1.40	1.09
Total Debt/Tangible Net Worth	Times	1.46	1.52
PBDIT/Interest	Times	1.85	2.09

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Nov 2024	Cash Credit	Long Term	13.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
11 Aug 2023	Cash Credit	Long Term	13.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
17 May 2022	Cash Credit	Long Term	13.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
11 Feb 2021	Cash Credit	Long Term	13.00	ACUITE B (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Credable Equentia Financial Services Pvt Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.55	Simple	ACUITE BB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	15 Feb 2023	Not avl. / Not appl.	15 Feb 2028	25.00	Simple	ACUITE BB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Mar 2029	4.45	Simple	ACUITE BB- Stable Assigned

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