

Press Release

Step Industries Private Limited

June 14, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 80.00 Cr. (Enhanced from Rs 45.00 Crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 80.00 crore bank facilities of Step Industries Private Limited. The outlook is 'Stable'

The rating continues to reflect significant improvement in business profile reflecting in substantial rise in revenues. The rating continues to reflect the company's comfortable financial risk profile and experienced management. These rating strengths are partially offset by elongated, however, improving working capital requirement.

Step Industries Private Limited, incorporated in 2011, is promoted by Mr. Ankit Tayal, Mr. Deepanshu Tayal and Mr. Sunil Tayal. The company manufactures aluminum cable wires required for electrification purpose. Additionally, SIPL undertakes EPC contracts on a tender basis. The company has executed electrification, installation and commission of substations for Madhya Pradesh Paschim Kshetra Vidyut Vitran Company, Assam Power Distribution Company Limited and Jharkhand Bijali Vitran Nigam Limited. SIPL has aluminum cable manufacturing capacity of 10000 km cable/ year located at Alwar, Rajasthan.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Growing scale of operations and healthy profitability**

SIPL supplies cable to EPC contractors as well as executes EPC contract. This has helped the company post healthy y-o-y growth of around 25-30 percent for past three years ended fiscal 2018. Further, the company has posted revenue of Rs.247.93 Crore in FY2019 (provisional) supported by orders from Larsen & Toubro Limited (L&T), increase in capacity and offtake from existing customers. SIPL has entered into a contract with L&T, wherein SIPL is required to supply LT AB (aerial bunched) cables and the same has contributed to around 45 percent of its revenue in FY2018-2019. The operating margins have improved from 7.72 percent in FY2018 to 11.16 percent in the previous year.

- Healthy financial risk profile**

SIPL's financial risk profile remains comfortable with healthy net worth, comfortable gearing and moderate debt protection metrics. The net worth increased to Rs. 43.95 Crore in FY2019 as against Rs. 35.18 Crore in FY2018 supported by healthy net cash accruals. Acuité has considered Rs. 17.25 Crore of unsecured loans as quasi equity as against Rs 25.64 Crore taken earlier. Of the mentioned amount, Rs 4.84 Crore have been converted into equity and Rs 3.55 Crore has been withdrawn. The management has undertaken to maintain the same over the medium term. The gearing stood at 0.18 times in FY2019 (prov) as against 0.28 times in FY2018. The same is expected to remain range bound at current levels in absence of debt funded capex .The

total outside liability against total net worth remained comfortable at 1.63 times in FY2019 (prov) as against 1.48 times in the previous year. The debt protection metrics remained healthy with interest coverage ratio of 3.41 times in FY2019 (prov) as against 1.86 times in the previous year.

• Experienced management

SIPL, erstwhile Brimson Cable Private Limited, was acquired by its present promoters, Mr. Ankit Tayal, Mr. Deepanshu Tayal and Mr. Sunil Tayal in 2011. The day to day operations of the company is managed by Mr. Narendra Patni who possess more than three decades experience in supply chain management and construction activity.

Weaknesses

• Moderate working capital intensive nature of business

SIPL's operations have improved but remained moderately working capital intensive reflected in high GCA of 140 days in FY2019 (prov) as compared to 296 days in FY2018. The GCA days are mainly dominated by credit period extended to customer at 70 days in FY2019 (prov) as against 133 days in FY2018. The significant decline in debtors is on account of inbuilt mechanism with L&T, wherein SIPL avails a bill discounting provided by the former. This has helped the company to realize prompt payments for business routed through L&T. Further, the same is expected to also lower the incremental working gap requirement despite significant increase in revenue. Additionally, the inventory days have declined from 150 days in FY2018 to 64 days in FY2019 (prov) on account of improved sales.

Outlook: Stable

Acuité believes that SIPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to sustain growth in revenue and improvement in profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	247.93	79.62	58.23
EBITDA	Rs. Cr.	27.66	6.15	5.87
PAT	Rs. Cr.	13.09	1.91	0.87
EBITDA Margin	(%)	11.16	7.72	10.09
PAT Margin	(%)	5.28	2.40	1.50
ROCE	(%)	55.43	15.50	16.02
Total Debt/Tangible Net Worth	Times	0.18	0.28	0.19
PBDIT/Interest	Times	3.41	1.84	1.45
Total Debt/PBDIT	Times	0.28	1.39	1.06
Gross Current Assets (Days)	Days	140	305	330

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Mar-2018	Cash Credit	Long Term	7.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	19.50	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	18.50	ACUITE A4+ (Assigned)
10-May-2019	Cash Credit	Long Term	7.00	ACUITE BBB- / Stable (Upgraded)
	Bank guarantee	Short Term	19.50	ACUITE A3 (Upgraded)
	Proposed Bank Guarantee	Long Term	18.50	ACUITE A3 (Upgraded)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- / Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	48.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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