



## Press Release

### Step Industries Private Limited

September 03, 2020

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 80.00 crore
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Negative (Reaffirmed & Outlook revised)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

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

The revision in the outlook is on account of limited revenue visibility over the medium term on account of average order book position.

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 Bijli 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

- **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 has more than three decades experience in supply chain management and construction activity. The company has witnessed a decline in the operating income of the company to Rs. 143.77 crore in FY2020 (Prov.) from Rs. 233.13 crore in FY2019 due to elections as well as floods in Assam, thereby impacting the execution of the projects in the area.

- **Healthy financial risk profile**

SIPL's financial risk profile is healthy marked by its healthy net worth, low gearing and moderate debt protection measures.

The net worth of the firm stood at Rs. 46.41 crore as on March 31, 2020 (Provisional) as against Rs. 34.39 crore as on March 31, 2019. The company has followed a conservative financial policy in the past; the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.28 times and 3.06 times as on March 31, 2017 and March 31, 2018, respectively over the past three years. The net worth increased to Rs. 46.41 Crore in FY2020 (Prov.) as against Rs. 34.39 Crore in FY2019 supported by healthy net cash accruals. Acuité has considered Rs. 21.74 Crore of unsecured loans as quasi equity as against Rs 14.52 crore taken last year. The management has undertaken to maintain the same over the medium term. The gearing continues to stand low at 0.23 times in FY2020 (prov.) as against 0.24 times in FY2019. The same is expected to remain range bound at current levels in the absence of debt-funded capex. The total outside liability against total net worth remained comfortable at 1.84 times in FY2020 (Prov) as against 3.06 times in the previous year. The debt protection metrics remained healthy with an interest coverage ratio of 2.84 times in FY2020 (Prov.) as against 2.29 times in the previous year. The total debt of Rs. 10.84 crore as on 31 March 2020 (Provisional) comprised of working capital borrowings of Rs. 6.96 crore and balance is the term loan.

Healthy profitability has led to an improvement in coverage indicators of the firm marked by debt-service-coverage-ratio of 2.41 times as on 31st March, 2020 (Provisional) as against 1.73 times as on 31st March, 2019 and interest coverage ratio of 2.84 times as on 31st March, 2020 (Provisional) as against 2.29 times as on 31st March, 2019. Acuité believes that the financial risk profile will continue to remain healthy on account of healthy profitability.

### Weaknesses

- **Intensive working capital operations**

SIPL's operations have remained working capital intensive reflected in high GCA of 167 days in FY2020 (Prov.) as compared to 151 days in FY2019. The GCA days are mainly dominated by credit period extended to customer at 77 days in FY2020 (Prov.) as against 52 days in FY2018. Additionally, the inventory days have declined from 86 days in FY2019 to 68 days in FY2020 (Prov.) on account of improved sales. Despite having healthy cash accruals, SIPL has an average utilization of 98.92 per cent over the last six months ended in July, 2020.

### Rating Sensitivity

- Significant improvement in its working capital management.
- Decline in profitability levels, thereby impacting firm's debt coverage indicators.
- Further decline in the scale of operations.

### Material Covenants

None

### Liquidity: Adequate

The company has an adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.06 crore during FY2020

(Provisional), against maturing debt obligations of Rs. 1.57 crore during the same period. The cash accruals of SIPL are likely to remain in the range of Rs. 7.70 crore to Rs. 10.63 crore in FY2021-23 as against yearly obligation of Rs. 1.57 crore during the same period. The current ratio of the company stood at 0.98 times as on March 31, 2020 (Provisional). Despite having healthy cash accruals, SIPL has an average utilization of 98.92 per cent over the last six months ended in July, 2020. The unencumbered cash and bank balances of SIPL stood at Rs. 0.11 crore as on March 31, 2020 (Provisional) (PY: 1.06 crore).

#### **Outlook: Negative**

Acuité believes that SIPL will maintain a 'Negative' outlook due to limited revenue visibility over the medium term marked by average order book position. The rating may be downgraded if there is a significant decline in the scale of operations in the current financial year. Conversely, the outlook may be revised to 'Stable', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure.

#### **About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	143.77	233.13
PAT	Rs. Cr.	4.94	6.66
PAT Margin	(%)	3.43	2.86
Total Debt/Tangible Net Worth	Times	0.23	0.24
PBDIT/Interest	Times	2.84	2.29

#### **Status of non-cooperation with other CRA**

None

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to previous three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14 <sup>th</sup> June, 2019	Cash Credit	Long-Term	7.00	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long-Term	5.00	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	19.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	48.50	ACUITE A3 (Reaffirmed)
10 <sup>th</sup> May, 2019	Cash Credit	Long-Term	7.00	ACUITE BBB-/ Stable (Upgraded)
	Bank Guarantee	Short Term	19.50	ACUITE A3 (Upgraded)
	Proposed Bank Guarantee	Short -Term	18.50	ACUITE A3 (Upgraded)
06 <sup>th</sup> March, 2018	Cash Credit	Long-Term	7.00	ACUITE BB+/ Stable (Assigned)
	Bank Guarantee	Short Term	19.50	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short -Term	18.50	ACUITE A4+ (Assigned)

**\*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	6.96 (reduced from Rs. 7.00 crore)	ACUITE BBB-/ Negative (Reaffirmed & outlook revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/ Negative (Reaffirmed & outlook revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/ Negative (Reaffirmed & outlook revised)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/ Negative (Reaffirmed & outlook revised)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE A3 (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	11.54 (reduced from Rs. 48.50 crore)	ACUITE A3 (Reaffirmed)

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### About Acuité Ratings & Research:

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