



Press Release
Sri Venkatesh Iron And Alloys India Limited
September 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	2.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	17.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 17.00 crore bank facilities of Sri Venkatesh Iron and Alloys India Limited (SVIAIL). The outlook is '**Stable**'.

Rationale for Rating

The rating considers the augmentation in business risk profile of the company reflected by healthy growth in revenue from operations over the years. The revenues of the company improved and stood at Rs. 232.78 crore in FY2023 as against Rs. 201.53 crore in FY2022. The improvement is majorly on account of the increase in average price realization of its product during the period. The rating also draws comfort from the established operations with experienced management of the company. The rating also factors in the healthy financial risk profile with low gearing levels, moderate net worth and comfortable debt protection metrices. The liquidity position of the company remains adequate with steady cash accruals against maturing debt obligations.

About the Company

Incorporated in 2005, Sri Venkatesh Iron and Alloys India Limited (SVIAIL) is a Kolkata based company engaged in manufacturing of sponge iron with an installed capacity of 1,20,000 MTPA (4 kiln of 30,000 MTPA each). The manufacturing facilities are located at Ramgarh, Jharkhand. The company is currently headed by Mr. Kamal Kumar Agrawal, Mr. Ankit Kedia, Mr. Sushil Kumar Agrawal, Mr. Pawan Kumar Lohia, Mr. Mishank Kedia and Mr. Barun Singh. The company has its presence in the domestic market across various states like Madhya Pradesh, Uttar Pradesh, Rajasthan and other states in North India.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

SVIAL has a long operational track record of 15 years in the sponge iron manufacturing business. Prior to SVIAL, the promoters Mr. Kamal Kumar Agrawal, Mr. Ankit Kedia, Mr. Sushil Kumar Agrawal, Mr. Pawan Kumar Lohia, Mr. Mishank Kedia and Mr. Barun Singh were engaged in trading of sponge iron. The long track record and the experience of the management have helped the company to build healthy relationship with customers and suppliers. Acuité believes that SVIAL will sustain its existing business profile on the back of established track record of operations and experienced management.

Revenue and Profitability

The operating income has increased to Rs. 232.78 crore in FY2023 as against Rs. 201.53 crore in FY2022. The company has sustained the revenue in FY2024 (Est.) at Rs. 243.72 crore despite falling price of sponge iron but increased sales volume. The company has an unexecuted order book position of Rs. 23.18 crore as on 31st July 2024.

The operating margin has declined in the FY2023 to 10.81 percent as compared to 12 percent in FY2022 due to increase in the overall raw material cost in the last two years. The PAT margin reduced to 7.48 percent in FY2023 against 8.10 percent in FY2022. Acuité believes, that the profitability margin of the company will be sustained at similar levels over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the company is marked by healthy net worth, healthy gearing, and debt protection metrics. The net worth of the company stood healthy at Rs. 94.34 crore in FY2023 as compared to Rs. 76.25 crore in FY2022 due to high accretion to reserves. The gearing of the company stood healthy at below unity levels 0.03 and 0.11 times in FY2023 and FY2022 respectively. Interest coverage ratio (ICR) is strong and stood at 29.53 times in FY2023 as against 32.38 times in FY2022. The debt service coverage ratio (DSCR) of the company also stood healthy at 22.71 times in FY2023 as compared to 24.75 times in the previous year. Further, Debt-EBDITA has improved and stood at 0.10 times in FY2023 as against 0.33 times on FY2022. Acuité believes that the financial risk profile of the SVIAL will continue to remain healthy at the back of healthy accruals leading to healthy capital structure and improved debt protections metrics over the medium term.

Weaknesses

Intensive but Improving Working Capital Cycle

The company has improving but intensive working capital of operations as reflected from 140 days of GCA days in FY2023 as against 145 days in FY2022. Inventory days have improved and stood at 48 days in FY2023 as against 85 days in FY2022. The company remains exposed to inherent cyclicity in iron sector which impacts its policy on inventory holding. Debtor days has improved to only 2 days in FY2023 as compared to 7 days in FY2022. Moreover, the company's creditor days stays at similar levels at 18 days in FY2023 as compared to 23 days in FY2022. The working capital limits utilized at ~ 65 percent for 6 months ended August 2024 and current ratio stood healthy at 5.03 times for FY2023. Acuité believes that the working capital requirement is likely to improve further over the medium term.

Highly Competitive and Fragmented Industry

SVIAL's profitability is susceptible to volatility in raw material prices. The company operates in highly fragmented and competitive industry which consists of large number of organised and un-organised players. Prospects of the iron industry are strongly co-related to economic cycles. Demand for iron is sensitive to trends of particular industries, viz, automotive, construction, infrastructure and consumer durables, which are the key consumers of iron products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand.

Rating Sensitivities

- Working Capital Management
- Sustenance of the Financial Risk Profile
- Improvement in scale of Operations and Profitability

Liquidity Position

Adequate

The liquidity profile of the company is adequate marked by improving net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs. 20.04 crore in FY2023 as against nil maturing debt obligations in the same period. Utilization of fund-based limits remains moderate at ~ 65.13 percent in 6 months ended in August 2024. The company has unencumbered cash and bank balances of Rs. 11.79 crore in FY2023. Additionally, the company has free cash of Rs. 0.98 crore in FY2023. The current ratio of the company increased and stood healthy at 5.03 times in FY2023 and 4.03 times in FY2022. Acuité expects liquidity profile of the company to remain adequate due to sufficient accruals, moderate utilisation of bank lines and healthy current ratio over the medium term.

Outlook: Stable

The outlook remains 'Stable' majorly takes into account stable business risk profile albeit the deterioration in profitability metrics of the company and working capital intensive nature of operations. The rating may be revised to 'Positive' if the company continues the growth momentum in operations and improvement in operating profitability along with a sustaining the healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than anticipated revenues, deterioration in profitability metrics or deterioration in financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	232.78	201.53
PAT	Rs. Cr.	17.40	16.33
PAT Margin	(%)	7.48	8.10
Total Debt/Tangible Net Worth	Times	0.03	0.11
PBDIT/Interest	Times	29.53	32.38

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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
29 Jun 2023	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
04 Apr 2022	Cash Credit	Long Term	2.50	ACUITE BBB Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	9.50	ACUITE BBB Positive (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Reaffirmed)
07 Jan 2021	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Chayan Patra Associate Analyst-Rating Operations Tel: 022-49294065 chayan.patra@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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