

Press Release
Ispat Damodar Private Limited
April 05, 2024



Rating Downgraded, Downgraded & Withdrawn, Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Withdrawn Long Term Rating	Short Term Rating
Bank Loan Ratings	47.03	ACUITE BB Downgraded & Withdrawn	-
Bank Loan Ratings	9.50	ACUITE BB Stable Downgraded	-
Bank Loan Ratings	15.64	Not Applicable Withdrawn	-
Bank Loan Ratings	18.83	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	20.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	9.50	-	-
Total Withdrawn Quantum (Rs. Cr)	101.50	-	-

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.47.03 Cr. bank facilities of Ispat Damodar Private Limited (IDPL) and also reaffirmed and withdrawn the short-term rating to **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.18.83 Cr. bank facilities of Ispat Damodar Private Limited (IDPL).

Acuite has withdrawn the long-term proposed facility of Rs.15.64 Cr. bank facilities of Ispat Damodar Private Limited (IDPL) without assigning any rating and also withdrawn the proposed limit of short-term rating of Rs.20.00 Cr. bank facilities of Ispat Damodar Private Limited (IDPL) without assigning any rating. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the Company and No Objection Certificate received from the banker.

Acuite has also downgraded the long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.9.50 Cr. bank facilities of Ispat Damodar Private Limited (IDPL). The outlook is **'Stable'**.

Rationale for the downgrade

The downgrade is a result of dip in profitability position and reducing bank lines are putting a pressure on the company's liquidity profile. The company's financial risk profile is marked by improving net worth, comfortable gearing and robust debt protection metrics. The tangible net worth of the company stood at Rs.187.73 Cr. as on FY2023 as compared to Rs.180.08 Cr. as on FY2022. Gearing of the company remained below unity at 0.47 times as on FY2023 as against 0.55 times as on FY2022. The rating continues to derive comfort from long track record of operation and experience of the management and above average financial risk profile; however, profitability remains susceptible towards volatility in traded product costs and foreign currency fluctuations.

The above strengths are constrained by working capital intensive nature of operations - decline in sales in FY2024 and going forward expected to be subdued and Intense

competition and inherent cyclical nature of the steel industry and low and volatile profitability margin.

About the Company

Incorporated in 1996, Ispat Damodar Private Limited (IDPL) was promoted by Mr. Satpal Bansal and located at Purulia, West Bengal. Currently, IDPL is headed by Mr. Sumita Majee and Mr. Arup Majee. Majee family has taken it in 2019 but shareholding largely remains with Mr. Bansal. The company is engaged in the manufacturing of sponge iron, MS billet and ferro alloys with an installed capacity of 60000 MTPA each. The company also has an 18 MW captive waste heat based power plant.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profiles of IDPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

IDPL's key promoter, Mr. Vikas Bansal has an experience spanning over a decade in the ferro alloy, billet and sponge iron industry and understanding of the local market dynamics. The company has also established relationships with reputed players like Oswal Minerals Ltd, Odisha Mining Corporation Limited, Carbon Resources Pvt. Ltd. only to name a few. Acuité believes the long track record, experienced management and healthy relations with suppliers and customers will continue to support the business, going forward.

Above average financial risk profile

The company's financial risk profile is marked by improving net worth, comfortable gearing and robust debt protection metrics. The tangible net worth of the company stood at Rs.187.73 Cr. as on FY2023 as compared to Rs.180.08 Cr. as on FY2022. Gearing of the company remained below unity at 0.47 times as on FY2023 as against 0.55 times as on FY2022. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 0.95 times as on FY2023 as compared to 1.08 times as on FY2022. The strong debt protection metrics of the company is marked by Interest Coverage Ratio of 8.96 times and Debt Service Coverage Ratio at 7.46 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on FY2023 as against 0.20 times as on FY2022. Acuité believes that going forward the financial risk profile of the company will remain at similar level backed by steady accruals and no major debt funded capex plans.

Update on capex

The company has capex in rolling mill of 500TPD at a cost of Rs. 85 Cr. which has been funded largely from internal accruals, unsecured loans and no term debts have been taken. This is expected to be capitalised by second half of FY2025.

Weaknesses

Decline in sales in FY2024 and going forward expected to be subdued

The Company's revenues have declined in FY 2023 at Rs. 576.67 Cr. against Rs. 619.98 Cr. in FY2024 due to increasing cost of raw materials leading to lesser sales for the Company as they were not able to pass on the costs. The revenues of the Company were at Rs. 303. 67 Cr. as of December 2023 (Provisional) basis. 2-3 month shut down in billet in FY2023 and FY2024.

Intense competition and inherent cyclical nature of the steel industry

The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 113 days as on FY2023 as compared to 111 days as on FY2022. The high GCA days is high on account of a high proportion of other current assets consisting of amount receivables from materials on loan and other loans and advances. However, the inventory days stood comfortable at 53 days as on FY2023 as compared to 48 days as on FY2022. The company generally maintains buffer stock of manganese ore and iron ore. They purchase these in large quantities (vessels) in order to reduce cost and hence maintain stock as there is shortage of such materials at times and also for the smooth functioning of the plant. The debtor period also stood comfortable at 08 days as on FY2023 as compared to 26 days as on FY2022. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Rating Sensitivities

- Thin profitability margins
- Thin profitability margins
- Elongation in the working capital cycle

Liquidity Position Stretched

The company has a stretched liquidity position on account of continuous reduction in limits from both State Bank of India and Indian Bank. Earlier, the sanctioned cash credit limit was Rs.38 Cr. from SBI and Rs.23.20 Cr. from Indian bank. Presently, the sanctioned cash credit is Rs.1.00 Cr. from SBI and Rs.8.50 Cr. from Indian bank. As a result, the fund-based limit utilization rose to around 101 per cent for the six-months ended Feb 2024. Further, the working capital-intensive nature of operations is marked by high GCA days of 113 days as on FY2023 as compared to 111 days as on FY2022. However, the company has sufficient net cash accruals of Rs.21.33 Cr. in FY2023 as against a long-term debt repayment of only Rs.0.25 Cr. over the same period. The current ratio stood comfortable at 1.71 times as on FY2023 as compared to 1.57 times as on FY2022. The cash and bank balances stood at Rs 0.06 Cr. as on FY2023. Acuité believes that going forward the liquidity position of the company will be stretched further due reduction in its working capital limits.

Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, healthy financial risk profile and healthy scale. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	576.67	619.98
PAT	Rs. Cr.	7.65	5.04
PAT Margin	(%)	1.33	0.81
Total Debt/Tangible Net Worth	Times	0.47	0.55
PBDIT/Interest	Times	8.96	5.09

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
06 Jan 2023	Cash Credit	Long Term	23.20	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	15.64	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	33.33	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	11.53	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	1.26	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	6.04	ACUITE A4+ (Downgraded from ACUITE A3)
18 Oct 2021	Bank Guarantee (BLR)	Short Term	6.04	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	1.26	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	11.53	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	33.33	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Bank Facility	Long Term	15.64	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	23.20	ACUITE BBB- Stable (Upgraded from ACUITE BB+)

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	11.53	ACUITE A4+ Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.04	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB Stable Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE BB Stable Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.70	ACUITE BB Downgraded & Withdrawn (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.33	ACUITE BB Downgraded & Withdrawn (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.26	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.64	Not Applicable Withdrawn

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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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