



Press Release
Captain Steel India Limited (Erstwhile BMA Stainless Limited)
September 18, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	220.00	ACUITE AA- Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	260.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating at '**ACUITE AA-**' (read as **ACUITE double A minus**) and short term rating at '**ACUITE A1+**' (read as **ACUITE A one plus**) to the Rs.260.00 Cr. bank facilities of Captain Steel India Limited (Erstwhile BMA Stainless Limited) (CSIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The reaffirmation of rating takes into account the established track record of operation in the steel industry, company's established market position along with strong brand presence and wide distribution network in TMT bars. In addition, the financial risk profile is strong marked by strong net worth, very low gearing and strong debt protection metrics, working capital management is prudent resulting into lower working capital limit utilization and the liquidity profile is strong marked by steady net cash accruals against nil long-term debt obligations. The rating further factors in the ongoing capex plan of the company for installing two induction furnaces each at Asansol and Patna unit (in JMD Alloys Limited) which is expected to be completed in the current financial year and will help to reduce the operating expenses of the company. However, these strengths are partially offset by the cyclical nature of steel industry and strong competition from other integrated players in the market. Further, there is a dip in operating revenue as well as operating margins of the company due to increase in employee and administrative expenses, incremental conversion costs as well as decline in price realisation. Going forward, the company is expected to have better top-line in near to medium term however the operating performance of the company will remain a key sensitive factor.

About the Company

Captain Steel India Limited (Erstwhile BMA Stainless Limited) was established as a Kolkata based company in the year 2003. It is engaged in the manufacturing of MS Billets and TMT bars . The company sells branded TMT bars under the brand name "Captain". The company is managed by Mr. Avinash Agarwalla, Mr. Vijay Gupta and Mr. Sanjay Gupta. In Oct'17, Captain Steel India Limited has entered into an agreement with JMD Alloys Limited (a Patna based company) having a production capacity of 1,80,500 MT per annum for TMT bars for exclusive conversion of the billets to TMT Bars which conforms to the 600 EQR of the "Captain TMT" under the different sizes and specifications.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered standalone business and financial risk profile of CSIL while arriving at

the rating.

Key Rating Drivers

Strengths

Long track record of operation and experienced management

CSIL was established in 2003 by Mr. Avinash Agarwalla. He has almost two decades of experience in the steel industry. Over the years, the company has been able to establish a strong brand, 'Captain' and penetrate into states such as Bihar, Jharkhand, and parts of Uttar Pradesh, apart from West Bengal. Acuite believes that CSIL will continue to benefit from the long experience of the management in establishing relations with their key distributors and customers. Over the years, CSIL established relationships with its customers and distributors and sold TMT bars through various distribution channels in the market. The company currently has about 6,000 dealers in the eastern region of the country.

Robust financial risk profile

The financial risk profile of the company is robust marked by healthy net worth of the company which stood at Rs. 576.63 crore in FY24 as compared to Rs. 519.54 crore in FY23. The increase on an account of accretion of profits into reserves. The capital structure of the company is marked by gearing ratio which stood at 0.05 times as on March 31, 2024 as compared to 0.02 times as on March 31, 2023 which shows sufficient opportunity to manage funds for the capex without much compromise in the capital structure of the company. The coverage indicators of the company remained strong as is apparent from the interest coverage and debt service coverage ratios of the company which stood at 11.22 times and 8.64 times respectively in FY24 as against 10.26 times and 7.84 times in FY23. The TOL/TNW ratio of the company stood at 0.30 times as on 31st March 2024 as against 0.33 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 0.32 times as on 31st March 2024 as against 0.12 times as on 31st March 2023. The net cash accruals to total debt (NCA/TD) stood strong at 2.12 times in FY24 as compared to 5.43 times in FY23. Going forward, Acuite believes the financial risk profile of the company will remain robust on account of strong net worth, nil gearing and strong debt protection metrics.

Prudent working capital management

The prudent working capital management of the company is marked by comfortable GCA days of 61 days in FY24 as compared to 67 days in FY23. The debtor days of the company stood comfortable at 35 days in FY24 as compared to 34 days in the previous year. The inventory-holding period of the company also stood comfortable at 16 days in FY24 as compared to 17 days in the previous year. Moreover, the average fund based utilization of working capital facility of the company stood low at 1.50% for the last twelve months ended February 2024 along with average non fund based utilization stood at 81.19% for the last twelve months ended February 2024. This is mainly on account of efficient debtor management strategy of the company wherein the dealers have to clear their payments till March end, failing which the incentives of the dealer gets impacted. Such prudent debtor management results into low short-term debt utilization. Acuite believes that the working capital operations of the company will remain at similar levels in near to medium term.

Weaknesses

Intense competition and inherent cyclicity in the steel industry

The group is operating in a competitive and fragmented industry due to the presence of a large number of unorganised players and low entry barriers. Moreover, demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the profit margins and sales of the company remain exposed to the inherent cyclicity in these sectors.

Declining revenue and profitability position

The revenue of the company declined to Rs.1834.79 crore in FY24 as compared to Rs.2061.66 crore in the previous year. This decline in revenue is due to decrease in TMT prices by 8-12%. In addition, the company has stopped production in its Barjora Plant in September FY23 thereby

further impacting the revenue of the company. The operating profitability margin of the company stood at 3.29% in FY24 as against 3.71% in FY23 due to increase in employee cost, conversion cost and decline in price realisation and payment of arrears to Damodar Valley Corporation. However, the net profitability margin increased to 3.15% in FY24 as against 2.79% in FY23 on an account of incremental income from other sources including interest income, profit on sale of investments and assets along with rental income (~Rs. 33 Cr). To cater to the market of Bihar, UP and Jharkhand the company engaged in rolling/processing of TMT bars in JMD Alloys Limited (Patna Unit) by paying conversion charges. The estimated revenue of the company in last five months ending August FY25 is around Rs. 800 Cr.

Unsecured nature of advances and investments

CSIL has provided an unsecured advances of Rs. 48.00 Cr. to JMD Alloys Limited (Patna Unit) for the modernization and up gradation of the plant and machinery. The company has entered into an agreement with JMD for exclusive conversion of the billets to TMT bars for CSIL. The production capacity for TMT bars of this unit is 180500 MTPA. The company had expected to receive Rs. 32.00 crores as capital investment subsidy out of which Rs.19.00 Cr. has been received wherein Rs.13.00 Cr. was received till FY24 and Rs.6 Cr. has been received in FY25. The amount received was used to clear the debt in the books of JMD Alloys Limited. Further, CSIL also has investments in other group companies which are expected to reduce the liquidity of the company to some extent.

Rating Sensitivities

- Further decline in operating and net profitability margins of the company.
- Lesser than expected net cash accruals.
- Larger than expected infusion of funds in group companies or ill-liquid investments.
- Elongation of working capital cycle.

Liquidity Position

Strong

The company has strong liquidity position marked by declining but steady net cash accruals of Rs.63.61 crore as against nil long-term debt obligations in FY24. Going forward, the cash accruals of the company are estimated to be in the range of around Rs.70.00 Cr. to Rs.90.00Cr. crore as against of no long-term debt obligations in near to medium term. The current ratio of the company stood at 3.67 times in FY24 as against 4.18 times in FY2023. Adding to the liquidity position of the company, the cash and bank balance stood at Rs.29.51 Cr. on 31st March 2024. However, the company has non-current investments in a few group entities which is expected to reduce the liquidity of the company. Also, decline in net cash accruals from previous levels will be a key monitorable, Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain stable over the medium term backed by its experienced management, established brand presence, robust financial risk profile and prudent working capital management of the company. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of any further decline in the company's revenues or further decline in profit margins, or in case of sharp deterioration in the company's financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1834.79	2061.66
PAT	Rs. Cr.	57.86	57.61
PAT Margin	(%)	3.15	2.79
Total Debt/Tangible Net Worth	Times	0.05	0.02
PBDIT/Interest	Times	11.22	10.26

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
21 Jun 2023	Cash Credit	Long Term	85.00	ACUITE AA- Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE AA- Stable (Assigned)
	Cash Credit	Long Term	45.00	ACUITE AA- Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE AA- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1+ (Reaffirmed)
24 Mar 2022	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	45.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	40.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Stable)
	Proposed Long Term Bank Facility	Long Term	20.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	20.00	ACUITE AA- (Upgraded & Withdrawn from ACUITE A+ Stable)
27 May 2021	Cash Credit	Long Term	40.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A1+ (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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE AA- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	65.00	ACUITE AA- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE AA- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE AA- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A1+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A1+ Reaffirmed

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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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