



**Press Release**  
**Satyam Iron & Steel Company Private Limited**  
**December 28, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.65	ACUITÉ BBB   Stable   Assigned	-
Bank Loan Ratings	201.00	ACUITÉ BBB   Stable   Reaffirmed	-
Bank Loan Ratings	17.00	-	ACUITÉ A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	242.65	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating at '**ACUITÉ BBB**' (read as **ACUITÉ triple B**) and the short-term rating at '**ACUITÉ A3+**' (read as **ACUITÉ A three plus**) on the Rs. 218.00 Cr bank facilities of Satyam Iron & Steel Co Private Limited (SISCPL). The outlook is '**Stable**'.

Also, Acuite has assigned its long-term rating at '**ACUITÉ BBB**' (read as **ACUITÉ triple B**) on the Rs. 24.65 Cr bank facilities of Satyam Iron & Steel Co Private Limited (SISCPL). The outlook is '**Stable**'.

**Rationale for Reaffirmation**

The rating takes into cognizance the growth in the scale of operations backed by the integrated nature of operations. The company has registered 44 per cent growth in the operating income and has achieved revenues of Rs.349.61 Cr in FY2023 as compared to Rs.241.87 Cr in FY2022.

The rating also draws comfort from the established business operations augmented by experienced management of the company. The rating also factors in the above average financial risk profile as reflected by improving net worth, moderate gearing and healthy debt protection metrics.

However, the rating is constrained by the decline in the operating margins due to higher operating costs. The rating is further offset by the cyclical nature of the steel industry.

**About the Company**

Based in West Bengal, Satyam Iron & Steel Co Private Limited (SISCPL) was incorporated in the year 2000 and is promoted by Mr Gopal Kumar Agarwal. The company is engaged in the manufacturing of sponge iron, billet and MS strips. Currently, the company has a capacity of 120000 MTPA of Sponge Iron, 135000 MTPA of Billet, 60000 MTPA of MS Strips and a 15 MW captive power plant.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

## Key Rating Drivers

### Strengths

- **Extensive experience of the promoters and integrated nature of operations**

The company has established a strong presence in the industry with operations spanning over two decades. SISCPL benefits from the extensive experience of its promoter Mr. Gopal Kumar Agarwal. Moreover, the company has a long-standing relationship with its customers and suppliers. Furthermore, the company's operations are supported by the integrated nature of operations with a manufacturing capacity of sponge iron, billets, MS strips and a captive power plant. The integrated operations provide a competitive edge as witnessed by a 44 per cent growth on a year-on-year basis in the operating income and has achieved revenues of Rs.349.61 Cr in FY2023 as compared to Rs.241.87 Cr in FY2022.

Acuité believes that, going forward, the company's long track record of operations and the strong clientele base aided by the experienced management will continue to benefit the operations of SISCPL.

- **Above average financial risk profile**

The company's financial risk profile is above-average as reflected by improving net worth, moderate gearing and healthy debt protection measures. The tangible net worth of the company increased to Rs.154.17 Cr as on March 31, 2023 from Rs.140.24 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the company moderated to 1.02 times as on March 31, 2023 as compared to Rs.0.68 times as on March 31, 2022 due to addition of debt owing to capex undertaken. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.20 times as on March 31, 2023 as against 0.75 times as on March 31, 2022. However, the debt coverage indicators stood healthy marked by Interest Coverage Ratio (ICR) at 6.77 times and Debt Service Coverage Ratio at 6.32 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.10 times as on March 31, 2023 due to subdued profits.

Acuité believes that, the financial risk profile of the company will remain above average over the medium term backed by the improving cash accruals leading to improved capital structure and healthy debt protection metrics

### Weaknesses

- **Decline in the profitability margins**

The operating margin of the company dipped to 5.48 per cent in FY2023 as against 12.79 per cent in FY2022. The decline in the margin is due to rise in the raw material cost which could not be passed on to the end user. The Profit After Tax (PAT) margin also declined to 3.98 per cent in FY2023 from 9.22 per cent in FY2022. The Return on Capital Employed (RoCE) stood at 6.70 per cent in FY2023 as against 16.87 per cent in FY2022.

Acuité believes that, going forward, improvement in the profitability margins will be a key rating sensitivity.

- **Strong competitive pressure and inherent cyclical patterns in the steel sector**

The steel rolling sector continues to lack organization and cohesion. The company faces strong competitive forces from both organized and unorganized participants, compounded by the cyclicity inherent in the steel industry. Moreover, the government's emphasis on steel-intensive sectors like railways and infrastructure increases vulnerability; any prolonged drop in demand would negatively affect steel companies' performance. Furthermore, the fluctuation in prices of raw materials and goods is considerably unstable. A substantial rise in imports could detrimentally affect earnings and quantities, making this a crucial aspect to watch.

### Rating Sensitivities

- Growth in the scale of operations
- Further weakening of operating profitability
- Elongation in the working capital cycle

**All Covenants**

None

**Liquidity Position  
Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.16.14 Cr in FY2023 as against no long term debt repayment over the same period. Going forward, the debt repayment of the Company is expected to be about Rs. 22 Cr and the accruals are expected to be sufficient to meet the same. The current ratio stood high at 3.20 times as on 31st March, 2023. The cash and bank balances of the company stood at Rs.0.75 Cr as on 31st March, 2023. Moreover, the fund based limit utilization stood at ~49.63 per cent over the six months ended October, 2023. However, the company's intensive working capital management is marked by Gross Current Asset (GCA) days of 117 days in FY2023 as against 128 days in FY2022.

Acuité believes that going forward the liquidity position of the company will remain adequate over the medium term owing to improving cash accruals and absence of debt funded capex plans.

**Outlook: Stable**

Acuité believes that SISCPPL will maintain 'Stable' on account of healthy revenue growth backed by its long track record of operations and above average financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operations significantly while improving profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of substantial decline in scale of operations or further deterioration in profitability margins or elongation in the working capital cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	349.61	241.87
PAT	Rs. Cr.	13.92	22.31
PAT Margin	(%)	3.98	9.22
Total Debt/Tangible Net Worth	Times	1.02	0.68
PBDIT/Interest	Times	6.77	13.10

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Aug 2023	Term Loan	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	32.35	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	85.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	35.65	ACUITE BBB   Stable (Reaffirmed)
05 Dec 2022	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB   Negative (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	68.00	ACUITE BBB   Negative (Assigned)
	Term Loan	Long Term	85.00	ACUITE BBB   Negative (Reaffirmed)
31 Mar 2022	Cash Credit	Long Term	40.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	85.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
25 Mar 2022	Term Loan	Long Term	15.00	ACUITE BBB   Stable (Assigned)
27 May 2021	Proposed Bank Guarantee	Short Term	20.00	ACUITE A3+ (Withdrawn)
	Proposed Term Loan	Long Term	30.00	ACUITE BBB (Withdrawn)
	Proposed Cash Credit	Long Term	30.00	ACUITE BBB (Withdrawn)
18 Aug 2020	Proposed Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Assigned)
	Proposed Term Loan	Long Term	30.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A3+   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	65.35	ACUITE BBB   Stable   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.65	ACUITE BBB   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	135.65	ACUITE BBB   Stable   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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