



Press Release
Ganpati Sponge Iron Private Limited
February 26, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	121.07	ACUITE A Stable Upgraded Positive to Stable	-
Bank Loan Ratings	15.00	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	136.07	-	-

Rating Rationale

Acuité has upgraded the long-term rating to **ACUITE A (read as ACUITE A)** from '**ACUITE A-' (read as ACUITE A minus)** and the short term rating to **ACUITE A1 (read as ACUITE A one)** from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs136.07 Cr bank facilities of Ganpati sponge iron Private Limited (GIPL). The outlook is revised from '**Posit iv e**' to '**Stable**'.

Rationale for upgrade and revision of outlook

The rating upgrade factors the sustained improvement in the scale of operations driven by increased production capacities and utilisation, healthy business risk profile with vertically integrated operation and equity infusion by the promoters. The group reported CAGR of 36.13 percent for the last two years with operating income of Rs.1832.02 Cr in FY23 as against Rs.1453.49 Cr in FY22. The increase in revenue is due to fully integrated steel plant by installing HR pipe and GI pipe unit in FY2023. Further, the average realization and sales volume of both intermediate and finished products had witnessed improvement because of rising demand from end user segments. The group has achieved a significant milestone by successfully adding 108,000 MTPA of billet capacity and 100,000 MTPA of pipes capacity during Q1FY24. As a result, the group's current installed capacity stands at 100,000 MT of sponge iron, 405,000 MT of billets and 857,000 MT of pipes and rolled steel products. The operating margins of the company moderated to 8.04 percent in FY2023 from 10.33 percent in FY2022. The moderation in margins is attributable to increased raw material costs.

The company is currently undertaking capital expenditure towards enhancing its sponge iron production capacities along with setting up of a 10 MW waste heat recovery boiler (WHRB) captive power plant. The capex, post its completion is estimated to aid the company in improving its operating margins due to increased cost efficiencies on account of reduced material and power costs. The capex is expected to be completed by July, 2024. In addition, the group has also undertaken another expansion project in SSPL of Rs.178 Cr and expected to be operational by October 2024.

The equity infusion of Rs.150.00 Cr by promoters has further strengthened the capital structure aiding to liquidity profile and financial risk profile of the group. The projected gearing level will fall below one and is estimated to be in the range of 0.7-0.8 times for the FY2024.

The rating continues to draw comfort from the group's efficient working capital management and adequate liquidity.

Going forward, ability of the company to maintain its scale of operations while improving the profitability margins along with ability to maintain the financial risk profile and timely completion of the ongoing capex will remain a key rating sensitivity factor.

About Company

Raipur based, Ganpati Sponge Iron Private Limited was incorporated in 1989 managed by

Mr. Suresh Kumar Goyal and Mr. Vikas Kumar Goyal. Currently the company is engaged in manufacturing of Billet, MS Strip and Pipes. The company has installed capacity of 75,000 MT per annum for Billet, 75000 MT per annum for MS Strip, 250,000 MT per annum for MS pipes and 60,000 MT per annum for GI pipes.

About the Group

Sambhv Sponge Power Private Limited (SSPL) was acquired by the Raipur based Goyal family in 2017. The company is engaged in manufacturing of sponge iron, billet and HR sheets, coil and pipes. The company has an installed capacity of 100,000 MT per annum for sponge iron, 258,000 MT per annum for billet, 150,000 MT per annum for HR Sheets / Coil and 250,000 MT per annum for HR pipe. SSPL also has a 15 MW captive power plant. The HR pipe are operational since 2023. The company managed by Mr. Suresh Kumar Goyal, Mr. Ashish Goyal, Mr. Vikas Kumar Goyal, Mr. Manoj Kumar Goyal and Mr. Bhavesh Khetan.

Raipur based, S.Payerlal Ispat Private Limited (SPIPL) was incorporated in 2009 handled by Mr. Ashish Goyal and Mr. Manoj Kumar Goyal. SPIPL manufactures billet & structure such as Channel and Angles. The company has installed capacity of 72000 MT per annum each for both Billets and MS Structures.

All manufacturing units are located in Raipur.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of Sambhv Sponge Power Private Limited (SSPL), Ganpati Sponge Power Private Limited (GIPL) and S.Pyarelal Ispat Private Limited SPIPL) as all the 3 companies are in the same line of business, share common management and have strong operational and financial linkages. In addition, GIPL holds around 17 percent of shares in SSPL. The group herein is referred to as Sambhv Group.

Key Rating Drivers

Strengths

Integrated nature of operations along with sustained revenue growth

The Sambhv group is promoted by the Goyal family of Raipur (Chhattisgarh). The group is managed by Mr. Suresh Kumar Goyal, who has more than one decade of experience in the steel business. The group has integrated operations with capacities to produce sponge iron, steel billets, pipes and long products across three companies – SSPL, GIPL and SPIPL. The aggregate installed capacity of the Sambhv Group is 100,000 MT of sponge iron, 405,000 MT of billets and 857,000 MT of pipes and rolled steel products. The group also has a captive power plant of 15 MW. Recently the group has added 108,000 MT of billet capacity and 100,000 MTPA of pipes capacity during Q1FY24. Further, the group has undertaken an expansion capex of Rs.162.04 Cr to enhance its sponge iron capacity of 115,500 MT per annum with captive Power Plant 10MW WHRB by July 2024. In addition, group has undertaken another expansion project in SSPL of Rs.178.00 Cr to enhance the Induction furnace of 82,600 MT per annum, Pipe Mill of 1,50,000 MT Per annum, CRM (Cold Rolling Mill) of 50,000 MT per annum, Rolling Mill of 1,00,000 MT per annum and New GP Line of 1,00,000 MT per annum, which is expected to be operational by October 2024. The same will be funded through a mix of debt and equity in 3:1 ratio. Post the expansion, it will benefit from increased scale and other operational synergies, thus strengthening the overall operating profile. Considering its successful capacity expansion of the manufacturing operations in the past, the group has demonstrated strong volume growth and healthy profit margins over the last few years. The group's consolidated revenues stood at Rs.1832.02 Cr in FY23 as against Rs.1453.49 Cr in FY22 thus registering a y-o-y growth of 26 percent. The improvement is driven by fully integrated

steel plant by installing HR pipe and GI pipe unit in SSPL and GIPL respectively in FY23. In addition, the capacity utilisation of MS pipe unit and HR sheet unit also increased in FY23. Further, the average realization and sales volume of both intermediate and finished products had witnessed improvement because of rising demand from end user segments. The revenue growth is expected to continue in FY24 as the group has already achieved revenue of Rs.1600 Cr till December 2023 (prov).

Acuite believes the scale of operation will improve over the medium term backed by rise in sale of value added steel products such as MS Pipes, HR Coil where realizations are higher in comparison to intermediate goods such as Sponge Iron and Billet.

Moderate financial risk profile backed by equity infusion in FY24.

The financial risk profile of the group is moderate marked by healthy net worth, moderate gearing ratio and debt protection metrics. The net worth of the group stood at Rs.314.67 Cr as on 31 March, 2023 as against Rs.235.54 Cr as on 31 March, 2022. Acuite has treated unsecured loans of Rs.41.52 Cr as part of networth as the amount is subordinated to bank debt. The improvement in networth is on account of healthy accretion of net profit in the reserves during the period. Further in FY2024, Sambhvi group has infused the additional equity of Rs.150.00 Cr from HNI's and family offices by promoter's diluting their stake of 16 percent. The infusion is divided into Rs.4.00 Cr. as equity share capital and Rs.146.00 Cr as share premium. The group has significant reliance on external debt because of continues capex being undertaken by the group. The total debt of Rs.368.08 Cr as on 31 March, 2023 consist of long-term debt of Rs.179.57 Cr, short term debt of Rs.144.61 Cr and maturing portion of long term borrowings of Rs.43.90 Cr.

The gearing level (debt-equity) stood at 1.17 times as on 31 March, 2023 as against 1.22 times as on 31 March, 2022, slightly improved in spite of increase in total debt for the capex. Further, with the equity infusion in FY24, the gearing level will fall below one and is estimated to range between 0.7-0.8 times during the year. TOL/TNW (Total outside liabilities/Total net worth) is stable at 1.39 times as on 31 March, 2023 against 1.63 times in previous year. The continuous CAPEX by the group along with moderated profitability margins has led to the slight weakening of debt coverage indicators in FY23. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 5.21 times and 2.06 times respectively in FY2023 as against 6.43 and 2.50 times respectively in the previous year.

Acuite believes that financial risk profile of the group will improve in the near future owing to equity infusion and improvement in profitability margins.

Efficient working capital management

The group has a comfortable working capital requirement as reflected from 64 days of GCA days in FY23 as against 71 days in FY22 which is driven by the moderate inventory. The inventory days stood at 45 days as on 31 March 2023 as against 43 days as on 31 March 2022. Moderate inventory level is due to the group needing to maintain raw material inventory (iron ore & coal stock) for uninterrupted production and to mitigate the raw material price fluctuations risk. The working capital limits of the group stood at an average utilisation of 52.23% for the 8 months ended December 2023. The Bank limits are majorly utilised for the advance payments of raw materials.

Acuite believes working capital requirement is likely to remain similar in medium term.

Weaknesses

Cyclical nature of the industry

The group performance remains vulnerable to cyclicity in the steel sector as demand for steel depends on the performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the group is vulnerable to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods.

Continuous capex mode

The group has undertaken an expansion capex in SSPL of Rs.162.04 Cr to enhance its sponge iron capacity by 115500 MT PA along with captive power plant 10MW WHRB. The proposed sponge iron and captive power plant is likely to be operational by July 2024. In addition, the group has also undertaken another expansion project in SSPL of Rs.178.00 Cr to enhance its

induction furnace capacity of 82,600 MTPA, Pipe Mill of 1,50,000 MTPA, CRM (Cold Rolling Mill) of 50,000 MTPA, Rolling Mill of 1,00,000 MTPA and New GP Line of 1,00,000 MTPA which is expected to be operational by October 2024. To finish its capex program, the group is anticipated to avail additional debt of Rs 130 crore over the following two years. Acuité believes the coverage and leverage ratios of the group will witness slight moderation over the medium term because of the rise in the debt levels. However, it is partially offset by equity infusion in FY24.

Rating Sensitivities

- Time and cost overrun in ongoing projects.
- Sustainable improvement in the scale of operations along with strengthening of profitability margins and financial risk profile of the group.
- Any deterioration in working capital cycle and liquidity profile of the group.

Liquidity Position: Adequate

The Sambhvi group has adequate liquidity profile as reflected from low utilization of working capital limits which stood at 52.23 percent during the last 8 months ended December 2023. In addition, group has healthy net cash accrual of Rs.103.42 Cr during FY23 as against current maturity of around Rs.34.19 Cr. The group is expected to generate sufficient liquidity of Rs.132.15 -183.73 Cr in FY2024-25 as against CPLTD of Rs.52.86 -43.90 Cr for the same years. Current ratio stood moderate at 1.36 times during FY23. The working capital intensity of the business is fairly comfortable as reflected from GCA days of 64 days as on 31 March 2023. Acuite expects the liquidity position of the group will remain at adequate level over the medium term backed by steady cash flow and equity infusion.

Outlook:

Acuité believes that GIPL will maintain 'Stable' outlook over the medium term on account of its improved the business risk profile of the company as reflected from its substantial increase in scale of operations, moderate financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than anticipated revenues, deterioration in profitability metrics or if the group incurs more than envisaged debt funded capex.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1832.02	1453.49
PAT	Rs. Cr.	79.53	79.78
PAT Margin	(%)	4.34	5.49
Total Debt/Tangible Net Worth	Times	1.17	1.22
PBDIT/Interest	Times	5.21	6.43

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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
27 Apr 2023	Term Loan	Long Term	2.99	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	1.09	ACUITE A- Positive (Assigned)
	Cash Credit	Long Term	37.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	2.56	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE A- Positive (Assigned)
	Term Loan	Long Term	4.75	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	2.06	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	5.19	ACUITE A- Positive (Assigned)
	Proposed Term Loan	Long Term	22.93	ACUITE A- Positive (Assigned)
07 Apr 2023	Term Loan	Long Term	2.99	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	37.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Positive (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE A- Positive (Assigned)
	Term Loan	Long Term	2.56	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	4.75	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE A- Positive (Assigned)
	Term Loan	Long Term	2.06	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	4.05	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	37.00	ACUITE A- Positive (Reaffirmed)
		Long		

21 Feb 2023	Cash Credit	Term	25.00	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	3.56	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE A- Positive (Reaffirmed)
	Proposed Term Loan	Long Term	4.75	ACUITE A- Positive (Reaffirmed)
06 Apr 2022	Proposed Long Term Loan	Long Term	1.01	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.19	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.87	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.79	ACUITE A- Stable (Assigned)
22 Mar 2022	Proposed Long Term Loan	Long Term	1.01	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	4.50	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	22.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.87	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	13.50	ACUITE A- Not Applicable (Upgraded & Withdrawn)
	Term Loan	Long Term	0.99	ACUITE A- Not Applicable (Upgraded & Withdrawn)
	Term Loan	Long Term	2.87	ACUITE A- Not Applicable (Upgraded & Withdrawn)
06 Aug 2021	Proposed Long Term Loan	Long Term	0.02	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.87	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.99	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.50	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	13.50	ACUITE BBB+ Stable (Reaffirmed)
07 Jul 2021	Term Loan	Long Term	0.51	ACUITE BBB+ Stable Upgraded
	Term Loan	Long Term	0.99	ACUITE BBB+ Stable Upgraded
	Cash Credit	Long Term	13.50	ACUITE BBB+ Stable Upgraded

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	47.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.50	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A1 Upgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.42	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	31 Mar 2021	Not avl. / Not appl.	30 Sep 2027	Simple	2.77	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	01 Apr 2021	Not avl. / Not appl.	01 Nov 2027	Simple	3.02	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Term Loan	01 Feb 2022	Not avl. / Not appl.	30 Mar 2027	Simple	7.34	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Term Loan	01 Oct 2022	Not avl. / Not appl.	30 Mar 2029	Simple	11.52	ACUITE A Stable Upgraded Positive to Stable (

								from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Term Loan	01 Nov 2023	Not avl. / Not appl.	01 Mar 2030	Simple	13.50	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

- Sambhv Sponge Power Private Limited (SSPL)
- Ganpati Sponge Iron Private Limited (GIPL)
- S.Pyare Lal Ispat Private Limited (SPIPL)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.