

## Press Release

SRMB Srijan Private Limited

January 07, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Ratings</b> <b>Loan</b>	39.00		ACUITE A1+   Reaffirmed
<b>Bank Ratings</b> <b>Loan</b>	30.00	ACUITE A+   Stable   Assigned	
<b>Bank Ratings</b> <b>Loan</b>	184.00	ACUITE A+   Stable   Reaffirmed	
<b>Total</b>	253.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A+**' (read as **ACUITE A Plus**) and Short term of '**ACUITE A1+**' (read as **ACUITE A one Plus**) on the Rs.223.00 Cr bank facilities of SRMB Srijan Private Limited (SSPL). Acuite has assigned the long-term rating of '**ACUITE A+**' (read as **ACUITE A Plus**) on the Rs.30.00 Cr bank facilities of SRMB Srijan Private Limited (SSPL) The outlook is '**Stable**'.

### About the Company

SSPL was incorporated in 2001 by Mr. Brij Mohan Beriwal and started commercial operation from 2005. The company is engaged in manufacturing of TMT bar and billet with an installed capacity of 325,000 MTPA and 291,000 MTPA respectively. The company's manufacturing unit is located at Durgapur, West Bengal. The company sells TMT under the brand name 'SRMB'. Recently the company has diversified its product profile through introduction of new product line under brand name 'SRMB Real edge'.

### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of SSPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Long track record of operation

SSPL is promoted by Mr Brij Mohan Beriwal and family who possess more than five decades of experience in the steel industry. Mr Beriwal started trading in steel product in 1970 and thereafter established Steel Rolling Mills of Bengal (SRMB) at Paharang in 1990. SSPL incorporated in 2001, has been able to establish itself as a leading player in TMT segment in Eastern India. Presently Mr. Brij Mohan manages the day to day operations of the company and is assisted by his sons Mr. Ashish & Nikunj Beriwal.

##### Strong brand recall and healthy scale of operation

SSPL sells TMT bars under its brand name 'SRMB' which has a strong brand recall especially in West Bengal. The company has an extensive distribution channel which includes 60 distributors and 2000

dealers across 11 states in India such as West Bengal, Jharkhand, Assam etc. The company had registered a healthy revenue growth of around 24 percent in FY21 as revenue stood at Rs 1554.54 Cr in FY21 as against Rs 1250.16 Cr in FY20. This improvement is driven by rise in sales volume and average realization of TMT bars.

The company is likely to witness revenue growth in FY22 as SSPL has posted a revenue of Rs 896 Cr in H1FY22(prov).

The company's manufacturing unit is operating at almost 100 percent capacity. So the company has undertaken expansion capex plan to increase the rolling mill and billet capacities by 155,000 MTPA and 219,000 MTPA respectively in FY22 through a debt funded capex plan of Rs 110 Cr which is likely to be operational from Q4FY22. The same is funded through a mix of debt and equity in 2:1 ratio. Hence the company is likely to witness revenue growth over the medium term backed by capacity addition along with buoyancy in the steel industry.

### **Healthy financial risk profile**

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood at Rs.250.43 Cr in FY2021 as compared to Rs.180.52 Cr in FY2020. The gearing of the company stood at 0.35 times as on March 31, 2021 as compared to 0.79 times as on March 31, 2020. TOL/TNW stood at 1.21 times in FY21 as against 1.58 times in FY20. The company has low dependence on external debt as reflected from low utilization of working capital limit. This has resulted in low financial cost. Interest coverage ratio (ICR) stood strong at 6.91 times in FY2021 as against 3.17 times in FY 2020. The debt service coverage ratio (DSCR) also stood comfortable at 3.69 times in FY21 as against 1.72 times in FY2020. The improvement in interest coverage is driven by rise in absolute EBITDA backed by increased turnover levels. The net cash accruals against total debt (NCA/TD) stood at 0.97 times in FY21 as compared to 0.23 times in previous year. Acuité believes the financial risk profile of the company will remain healthy over the medium term despite ongoing debt funded capex plan because of steady accruals and infusion of funds by the promoters which will reduce dependence on external debts.

### **Improving profitability margin**

The company has reported an improvement in profit margins both at the operating and net level historically. The operating margin of the company stood at 7.72 percent in FY21 as compared to 5.39 percent in FY20. The profit after tax (PAT) margins of the company stood at 4.80 percent in FY21 as against

1.84 percent in the preceding year. The improvement in average realization of TMT bars have translated into better profit margins. The company has strong RoCE of 31.68 percent in FY21. The company is expected to sustain their profit margins going forward. Acuité expects the profitability margin of the company to remain at a moderate level in the medium term backed by high selling and power cost.

### **Efficient working capital management**

The company has a low working capital requirement as reflected from its Gross Current Asset (GCA) days which stood at 83 days in FY21. Reason for low GCA days is inventory days of 19 days in FY21. Debtor days stood at 49 days in FY21. Acuité believes the working capital intensity will remain at similar levels over the medium term.

### **Weaknesses**

#### **Cyclical nature of the industry**

The company performance remains vulnerable to cyclicity in the steel sector as demand for steel depends on the performance of the end user segments such as construction and real estate. Indian steel sector is highly competitive due to the presence of a large number of players. The operating margin of the company is exposed to fluctuations in the prices of intermediate product as well as realization from finished goods.

## Rating Sensitivities

- Timely completion of planned capital expenditure
- Improvement in profitability margins
- Sustainable revenue growth

## Material covenants

None

## Liquidity Position: Strong

The company has strong liquidity reflected from low utilization of working capital limits 19 percent during last 10 months ended October 2021. In addition, company has healthy net cash accrual of Rs. 85.46 Cr during FY21 as against nominal repayment obligation of 2.75 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 100-Rs140 Cr as against maturing debt of around Rs.10 Cr from FY22-FY24. Current ratio stood at 1.64 times during FY21 as against 1.44 times in FY20. The working capital requirement of the company stood efficient level as reflected from GCA days of 83 days as on 31 March 2021. Acuite believes the liquidity position of the company will remain adequate, backed by steady accruals and infusion fresh funds by the promoters over the medium term.

## Outlook: Stable

Acuite believes that company will benefit over the medium term from the promoters vast experience in the steel industry. The outlook may be revised to 'Positive' if the company is able to improve the profitability margin along with sustained healthy revenue growth. Conversely, the outlook may be revised to 'Negative' if the company witnessed a significant deterioration in financial risk profile or liquidity profile due to any significant time or cost overruns in their planned capital expenditure.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1554.54	1250.16
PAT	Rs. Cr.	74.66	22.97
PAT Margin	(%)	4.80	1.84
Total Debt/Tangible Net Worth	Times	0.35	0.79
PBDIT/Interest	Times	6.97	3.17

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Dec 2021	Cash Credit	Long Term	37.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A+   Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	38.00	ACUITE A+   Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE A+   Stable (Assigned)
	Bank Guarantee	Short Term	29.00	ACUITE A1+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	29.00	ACUITE A1+   Reaffirmed
South Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A+   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A+   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE A+   Stable   Reaffirmed
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A+   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-09-2020	8.15	30-06-2025	15.00	ACUITE A+   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	30-05-2021	7.85	30-03-2029	15.00	ACUITE A+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	30-09-2020	8.15	30-06-2025	35.00	ACUITE A+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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