

Press Release

SRMB Srijan Private Limited

March 27, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.40	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	156.10	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	3.10	-	ACUITE A1+ Assigned
Bank Loan Ratings	96.90	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	296.50	-	-

Rating Rationale

Acuite has reaffirmed and assigned 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.296.50 Cr bank facilities of SRMB Srijan Private Limited (SSPL). The outlook remains '**Stable**'.

Rating Rationale

The rating takes into cognizance the strong business risk profile of the company buoyed by its improving revenue trend driven by rise in sale volume and average realization of steel products. The business strengths are further supported by company's established market position in eastern region along with strong brand presence and wide distribution network in TMT bars. The rating also draws comfort from the management's long standing experience, healthy financial position characterized by comfortable gearing and strong liquidity position of the group, aided by prudent working capital management, comfortable current ratio and cushion available in the company's working capital limits. However, these strengths are partially offset by the cyclical nature of steel industry and the vulnerability of margins to the fluctuations in commodity prices.

About the Company

Incorporated in 2005, Kolkata based SRMB Srijan Private Limited (SSPL) is engaged in manufacturing of billets and TMT bars. SSPL is headed by Mr. Brij Mohan Beriwalla, Mr. Nikunj Beriwalla and Mr. Ashish Beriwalla. The company's manufacturing unit is located at Durgapur, West Bengal and has an installed capacity of 5,01,000 MTPA for Billet and 4,80,000 MTPA for TMT bars. The company sells TMT under the brand name 'SRMB'. and sells steel for window section under brand name 'SRMB Real edge'. The brand ambassadors for 'SRMB' are ex world cup winning captains of Indian cricket team Mr. M S Dhoni and Mr. Kapil Dev and popular actor Mr. Pankaj Tripathi. The brand ambassador for SRMB REALEDGE is renowned Bollywood actress Madhuri Dixit. SSPL is also an associate sponsor of ATK Mohun Bagan FC, which participates in Indian Super League.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and long track record of operations

SSPL was established in the year 2001 by Mr. Brij Mohan Beriwal, who has more than five decades of experience in the steel industry. Further, over the years, the company has been able to establish a strong brand 'SRMB' and penetrate into 11 states apart from West Bengal. Acuité believes that SSPL will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers. SSPL currently has an extensive distribution channel which includes 70 distributors and 2200 dealers across the country.

Sound business risk profile buoyed by strong brand value in 'TMT' segment

The sound business risk profile of the company is primarily supported by the strong brand value of SSPL in the 'TMT' segment. Also, the revenue of the company improved to at Rs. 2158.09 Cr in FY2022 as compared to revenues Rs. 1554.34 Cr in FY2021, thereby registering a growth of 39 per cent. The growth in revenue is primarily on account of rise in sales volume and average realization of TMT bars. Acuité believes that the sustainability in the revenue growth would be a key monitorable going forward.

Moreover, SSPL has taken some new initiatives to improve the profitability margins. The company has established 14 stores, namely Pinnacle Store, with an objective to improve the profitability. SSPL can sell its products directly to the customers through these stores and does not require intermediary dealers for the same. The company has a target to establish 50 such stores by FY2024. In addition to this, the company has recently introduced franchise business. SSPL has franchisee arrangements with 3 steel players to produce and sell TMT bars under the 'SRMB' brand. In the franchisee business model, SSPL earns royalty income on sales of TMT bars by these franchisee units. The company has achieved Rs. 0.52 Cr upto 10MFY2023 (prov).

However, the operating margin of the company stood at 5.33 per cent in FY2022 as compared to 7.50 per cent in the previous year. The PAT margins stood at 3.06 per cent in FY2022 as against 4.76 per cent as on FY2021. The ROCE levels stood at a comfortable level of about 22.62 per cent in FY2022 as against 29.41 per cent in FY2021. The decline in the profitability margin is primarily on account of the base effect due to the significant increase in realisations and high selling expenses due to their continued focus on branding and advertising. 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.

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.352.36 Cr as on March 31, 2022 as compared to Rs.274.70 Cr as on March 31, 2021. The gearing of the company stood at 0.50 times as on March 31, 2022 as compared to 0.32 times as on March 31, 2021. TOL/TNW stood moderate at 1.10 times as on March 31, 2022 as against 1.03 times as on March 31, 2021. The strong debt protection metrics of the company is marked by Interest coverage ratio (ICR) at 7.81 times in FY2022 as against 6.88 times in FY2021 and debt service coverage ratio (DSCR) at 5.23 times in FY2022 as against 3.69 times in FY2021. The net cash accruals against total debt (NCA/TD) stood at 0.45 times as on March 31, 2021 as compared to 0.96 times in previous year. Acuité believes that going forward the financial risk profile of the company will remain healthy over the medium term, in absence of any major debt funded capex plans.

Efficient working capital management

The working capital management of the company is efficient marked by Gross Current Assets

(GCA) of 71 days as on 31st March 2022 as compared to 76 days as on 31st March 2021. The efficient level of GCA days is primarily on account of low inventory levels during the same period. The inventory holding stood at 29 days as on 31st March 2022 as compared to 19 days as on 31st March 2021. Further, the debtor period also stood comfortable at 40 days in 31st March 2022 as compared to 48 days in 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level as evident from efficient collection mechanism and low inventory levels over the medium term.

Weaknesses

Intense competition and inherent cyclicality in the steel industry

The company is operating in competitive and fragmented nature of industry due to the presence of a large number of unorganized players on account of 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 remains exposed to inherent cyclicality in these sectors.

Rating Sensitivities

- Sustainability in revenue growth
- Improvement in profitability margins
- Sustenance in capital structure

Material covenants

None

Liquidity Position: Strong

The company has strong liquidity position marked by healthy net cash accrual of Rs. 77.77 Cr during FY2022 as against nominal repayment obligation of Rs.2.74 Cr. The cash accruals of the company are estimated to remain in the range of around Rs. 95 Cr to Rs. 110 Cr during 2023-24 as against maturing debt of only Rs.15 Cr. Further, the bank limit utilization of the company is low at 32 per cent in six months ended February 2023. The working capital management of the company stood efficient as reflected from GCA days of 71 days as on 31st March 2022. Additionally, the company has an unencumbered fixed deposit of Rs. 12 Cr as on 31st March 2022 and the current ratio stood comfortable at 1.84 times as on 31st March 2022 as against 1.73 times as on 31st March 2021. Acuite believes the liquidity position of the company will remain strong, backed by steady accruals and efficient working capital management over the medium term.

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, healthy scale of operations, healthy financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in operating margins. 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 or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2158.09	1554.34
PAT	Rs. Cr.	66.09	73.91
PAT Margin	(%)	3.06	4.76
Total Debt/Tangible Net Worth	Times	0.50	0.32
PBDIT/Interest	Times	7.81	6.88

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>
- 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
07 Jan 2022	Bank Guarantee	Short Term	29.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	37.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	38.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE A+ Stable (Assigned)
	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)
	Bank Guarantee	Short Term	29.00	ACUITE A1+ (Assigned)

27 Dec 2021	Bank Guarantee	Short Term	10.00	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	38.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A+ Stable (Assigned)

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 Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1+ Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.10	ACUITE A1+ Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	56.90	ACUITE A1+ Reaffirmed
South Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A+ Stable Reaffirmed
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.40	ACUITE A+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	30 May 2021	7.85	30 Mar 2029	Simple	12.73	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30 Sep 2020	8.15	30 Jun 2025	Simple	34.37	ACUITE A+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Kaustav Saha Manager-Rating Operations Tel: 022-49294065 kaustav.saha@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

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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