



Press Release
SRMB Srijan Private Limited
June 24, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	176.50	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	120.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	296.50	-	-

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.296.50 Cr. bank facilities of SRMB Srijan Private Limited (SSPL). The outlook remains **‘Stable’**.

Rationale for Rating

The rating takes into cognizance the strong business risk profile of the company buoyed by its stagnant but healthy revenue trend. 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 2001, Kolkata based SRMB Srijan Private Limited (SSPL) is engaged in manufacturing of billets and TMT bars. SSPL is headed by Mr. Brij Mohan Beriwal, Mr. Nikunj Beriwal and Mr. Ashish Beriwal. 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. Directors of SRMB Srijan Private Limited are Mr. Nikunj Beriwal, Mr. Brij Mohan Beriwal and Mr. Ashish Beriwal.

Unsupported Rating

Not Applicable

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

Long track record of operations and strong brand recall

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. The company has an extensive distribution channel which includes 70 distributors (PY 60) and 2200 dealers (PY 2000) across 11 states in India such as West Bengal, Jharkhand, Assam etc. Presently Mr. Brij Mohan manages the day to day operations of the company and is assisted by his sons Mr. Ashish & Nikunj Beriwal. SSPL sells TMT bars under its brand name 'SRMB' which has a strong brand recall especially in West Bengal.

Stagnant but healthy scale of operation

The company had registered a healthy revenue of around Rs. 2529.52 Cr. (Prov.) in FY2024 as against Rs. 2586.72 Cr. in FY2023. A marginal decline in topline is mainly due to correction of average realization of TMT Bars as well as volume sold. Since the Company enjoys brand recall and premium pricing, it did not want to sell its TMT bars at lower prices as prevailing in the prices, to increase its revenue and thus compromising on its profitability. The company has established 27 stores (PY 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. All the stores are in West Bengal.

The company 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. 1.26 Cr. (Prov.) upto FY2024. Acuite believes that the Company expects to clock similar topline in ensuing years with marginal growth.

Sustenance of profitability margin

The operating margin of the company stood at 5.45 per cent (Prov.) in FY2024 as compared to 5.19 per cent in the FY2023. The Company has been able to sustain its profitability despite correctional pricing of steel in the market as it did not maintain large inventories on lower prices. The PAT margins stood at 2.91 per cent (Prov.) in FY2024 as against 2.55 per cent as on FY2023. The ROCE levels stood at a comfortable level of about 22.59 per cent (Prov.) in FY2024 as against 22.84 per cent in FY2023. Acuite expects the profitability margin of the company to remain at a moderate level in the medium term.

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.492.16 Cr. (Prov.) as on March 31, 2024 as compared to Rs.418.33 Cr. as on March 31, 2023. The gearing of the company stood at 0.03 times (Prov.) as on March 31, 2024 as compared to 0.20 times as on March 31, 2023. This has largely been because the Company has prepaid a part of their term loan. It has also reduced its dependence on short-term borrowings since the company is generating sufficient accruals to funds its working capital requirement. TOL/TNW stood low at 0.51 times (Prov.) as on March 31, 2024 as against 0.78 times as on March 31, 2023. The strong debt protection metrics of the company is marked by Interest coverage ratio (ICR) at 9.27 times in FY2024 as against 5.77 times in FY2023 and debt service coverage ratio (DSCR) at 3.54 times in FY2024 as against 2.72 times in FY2023. The net cash accruals against total debt (NCA/TD) stood at 7.39 times as on March 31, 2024 as compared to 0.96 times in previous year. Acuite 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 and reduced dependence on short term borrowings.

Efficient working capital management

The working capital management of the company is efficient marked by Gross Current Assets (GCA) of 49 days (Prov.) as on 31st March 2024 as compared to 61 days as on 31st March 2023. The efficient level of GCA days is primarily on account of low inventory levels during the same period. The inventory holding stood at 10 days as on 31st March 2024 as compared to

21 days as on 31st March 2023. Further, the debtor period also stood comfortable at 34 days (Prov.) in 31st March 2024 as compared to 36 days in 31st March 2023. Against this the Company enjoys a credit of about 10-12 days from its suppliers. 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 cyclicity 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 cyclicity in these sectors.

Rating Sensitivities

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

Liquidity Position

Strong

The company has strong liquidity reflected from low average utilization of working capital limits at 26.71 per cent in six months ended March 2024. In addition, company has growing and healthy net cash accrual of Rs. 93 Cr. during FY2024 as against repayment obligation of Rs.15.55 Cr. However, the Company has prepaid its term loans with HDFC Bank during the year. Going forward, the net cash accruals are expected to be in the range of Rs. 100-Rs.110 Cr as against nominal maturing debt of around Rs.3-4 Cr. For FY25. Further, the working capital requirement of the company stood efficient as reflected from GCA days of 49 days (Prov.) as on 31st March 2024. Additionally, the company has an unencumbered fixed deposit of ~Rs. 80 Cr as on 31st March 2024 and the current ratio stood comfortable at 3.29 times (Prov.) as on 31st March 2024 as against 2.84 times as on 31st March 2023. 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 sustainable 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	2529.52	2586.72
PAT	Rs. Cr.	73.54	66.03
PAT Margin	(%)	2.91	2.55
Total Debt/Tangible Net Worth	Times	0.03	0.20
PBDIT/Interest	Times	9.27	5.77

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
27 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	56.90	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	3.10	ACUITE A1+ (Assigned)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	34.37	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	12.73	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.40	ACUITE A+ Stable (Assigned)
07 Jan 2022	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	35.00	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	4.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE A+ Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	29.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	29.00	ACUITE A1+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	4.00	ACUITE A+ Stable (Assigned)
		Long		ACUITE A+ Stable

27 Dec 2021	Cash Credit	Term	38.00	(Assigned)
	Cash Credit	Long Term	37.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A1+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A1+ Reaffirmed
South Indian Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A+ 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	55.00	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A+ Stable Reaffirmed
South Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.39	ACUITE A+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 May 2021	Not avl. / Not appl.	30 Mar 2029	Simple	9.11	ACUITE A+ 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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