



Press Release
OM Sairam Steels And Alloys Private Limited
June 03, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	331.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	160.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	491.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 491.00 Cr. bank facilities of Om Sairam Steels and Alloys Private Limited (OSSAPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation take into the account the established track record of the group in Sponge iron and TMT manufacturing sector, stable operational performance of the group and healthy financial risk profile. The rating is further supported by the ongoing capex in SAPL (Subsidiary) which will further strengthen the backward integration for the company. This capex is expected to help increase the capacity utilisation at OSSAPL from present 50 percent to around 80-85 percent post completion of capex, leading to significant improvement in scale of operations and profitability. However, the timely completion of the capex will remain key rating monitorable. Further, the rating considers the low gearing level, robust debt coverage indicators and adequate liquidity position of the group. However, these strengths are constrained by the cyclical nature of the steel industry and the vulnerability of the margins to the volatility in commodity prices.

About Company

Incorporated in 2003, Om sairam Steels & Alloys Pvt. Ltd (OSSAPL) is a Jalna, Maharashtra based semi-integrated steel plant, promoted by Mr. Rajendra S. Bharuka and his brother Mr. Dinesh S. Bharuka. The company sells its TMT bars in the name of Uma TMT 500 which is well established brand in Maharashtra, Gujarat, Goa, Karnataka, and Andhra Pradesh. The company offers a wide range of products like billets and end products like construction bars and round bars used by the construction Industry and automobile industry respectively.

About the Group

Om sairam group (OSG) consist of two companies namely Om sairam steels and Alloys Private limited (OSSAPL) and Sanvijay Alloys and Power limited (SAPL).

SAPL is in the business of manufacturing of sponge Iron and generation of power. The company was incorporated in 2003 and is based in Chandrapur. The directors of the company are Mr. Rajendra Satyanarayan Bharuka, Mr. Dinesh Satyanarayan Bharuka, Mr. Shamsundar Ramaprasad Sharma, Mr. Vandana Jawahar Dembda and Mr. Kalme Sandipkumar Ashokrao.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk of Om SaiRam Steel and Alloys private limited and Sanvijay Alloys and Power limited for FY2023, hereafter referred as Om Sairam Group (OSG). The consolidation is in the view of integrated nature of business.

Key Rating Drivers

Strengths

Experienced promoters and an established track record of operations

OSSAPL has a long operational track record in the iron and steel industry spanning two decades. Mr. Dinesh S. Bharuka started his career in 1986 with his family business of dealing in scrap metal at various steel processing plants in Maharashtra. In 2003, he and his brother, Mr. Rajendra Bharuka, incorporated this company and entered the steel business. The extensive experience of promoters has helped the group establish long-term relationships with its customers. OSSAPL's manufacturing facility is located in Jalna, MH, with billet production capacity of five lakh metric tons per year and five lakh fifty thousand metric tons of TMT bars per year. In FY23, OSSAPL acquired Sanvijay Alloys and Power Limited as part of a backward integration initiative. In FY2024, the group acquired a thermal power plant with a capacity of 40 MW from Kiloskar Group.

Improving the business risk profile

The group's revenue improved to Rs. 1523.60 crore in FY2024 (prov) as against Rs. 1495.80 crore in FY2023. The improvement in revenue is due to an improvement in production quantity, backed by the capacity expansion in FY2023. The operating margins of the group improved to 15.72 percent in FY2024 (Prov) from 13.96 percent in FY23. Improvement in profitability is backed by backward integration through the acquisition of SAPL. Further, the group has undertaken capex to expand its sponge iron production capacity in SAPL with a total outlay of around Rs. 750 crore, out of which Rs. 500 crore being funded through bank loans and the balance through internal accruals. The capex program is expected to be completed in the next three years. Post-completion of the capex OSSAPL capacity utilization is expected to improve to 80 to 85 percent from the present level of around 50 percent. Along with this, the group has purchased a 40 MW power plant, which is expected to benefit the company through a reduction in power costs. The on-going expansion plans are expected to improve the scale of operations of the group, coupled with better operating margins. However, timely completion of the ongoing capex will remain a key rating that is monitorable.

Healthy financial risk profile

The group's financial risk profile is healthy, with a healthy net worth base, a moderate gearing ratio, and strong debt protection metrics. The tangible net worth of the group stood at Rs. 453.91 crore as of March 31st, 2024 (prov) as against Rs. 361.38 crore as of March 31st, 2023. The improvement in net worth is due to the accretion of profits to the reserves. The gearing ratio of the group stood at 1.61 times as of March 31st, 2024 (prov), as opposed to 1.76 times as of March 31st, 2023. The total debt of the group stood at Rs 732.98 Cr. as of March 31, 2024 (Prov) and consisted of Rs. 247.35 Cr. of term loans, Rs. 161.24 Cr. of loans from promoters, short-term working capital debt of Rs 301.02 Cr, and CPLTD of Rs. 23.23 Cr. The interest

coverage ratio stood comfortable at 3.93 times as of March 31, 2024 (prov) and 5.51 times as of March 31, 2023. The debt service coverage ratio (DSCR) stood comfortable at 3.36 times as of March 31, 2024 (prov) and 4.13 times as of March 31, 2023. The total outside liabilities to tangible net worth stood at 1.94 times for FY2024 (prov) as against 2.10 times in FY2023. Acuité believes that going forward, the financial risk profile of the company is likely to remain healthy, backed by steady accruals.

Moderate Working capital management

Group's working capital operations are moderate in nature as reflected by Gross Current Asset (GCA) of 121 days as in 2024 (Prov) as against 99 days in FY23. The inventory levels have improved and stood at 42 days for FY2024(Prov) compared against 50 days for FY2023. The debtor days stood at 42 days for FY2024 (prov) against 24 days for FY2023. The average credit period allowed to the customers is around 20-25 days. The creditor days of the company stood at 21 days for FY2024 (Prov) as against 19 days for FY23. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

Intense competition and inherent cyclical nature of the steel industry

The steel-rolling industry remains fragmented and unorganized. The company is exposed to intense competitive pressures from a large number of organized and unorganized players, along with its exposure to the inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature. Business operations also face competition from cheaper Indonesian and Chinese imports. A substantial increase in imports may adversely impact realization and volumes and, hence, remain a key monitorable.

Rating Sensitivities

- Sustainability in revenue growth and profitability margin
- Elongation of working capital cycle
- Timely completion of the ongoing capex
- Deterioration in the operating performance and financial risk profile.

Liquidity Position: Adequate

The group has an adequate liquidity position, marked by adequate net cash accruals against its maturing debt obligations. The group has generated cash accruals of Rs. 143.77 crore in FY2024 (prov) as against Rs. 143.02 crore in FY23. The cash accruals of the company are estimated to remain in the range of Rs. 168–190 crore during the FY2024–26 period, while its maturing debt obligations are estimated to be in the range of Rs. 40–52 crore during the same period. The company maintains unencumbered cash and bank balances of Rs. 2.09 crore as of March 31, 2024 (prov). The current ratio stood at 1.22 times as of March 31, 2024 (Prov). Acuité believes that going forward, the company will maintain an adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on OSG will remain 'stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile, healthy financial risk profile, and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustenance in operating margins, capital structure, and working capital management. 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 and liquidity position, or delay in completion of its ongoing capex 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.	1523.60	1495.80
PAT	Rs. Cr.	103.77	116.88
PAT Margin	(%)	6.81	7.81
Total Debt/Tangible Net Worth	Times	1.61	1.76
PBDIT/Interest	Times	3.93	5.51

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. Acuité'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
06 Mar 2023	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	107.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	60.00	ACUITE A2+ (Assigned)
	Proposed Cash Credit	Long Term	60.00	ACUITE A- Stable (Assigned)
	Proposed Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	54.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	17.00	ACUITE A- Stable (Reaffirmed)
07 Feb 2023	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	71.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	36.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	54.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	17.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE A- Stable (Assigned)
		Long		ACUITE A- Stable

30 Dec 2021	Cash Credit	Term	10.00	(Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	30.00	ACUITE A- Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	30.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	65.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	5.00	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
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A2+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A2+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	130.00	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	25.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	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	23.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2+ 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	20.83	ACUITE A- Stable Reaffirmed
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2029	Simple	31.68	ACUITE A- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2028	Simple	41.61	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2028	Simple	20.43	ACUITE A- Stable Reaffirmed

HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2027	Simple	16.45	ACUITE A- Stable Reaffirmed
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***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Sanvijay Alloys and Power limited
2. Om Sairam Steels and Alloys Private Limited

Contacts

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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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