



Press Release
Pushpit Steels Private Limited
July 04, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	274.06	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	50.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	202.63	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	526.69	-	-

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.476.69 Cr. bank facilities of Pushpit Steels Private Limited. The outlook is '**Stable**'.

Acuite has assigned its short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 50.00 Cr. bank facilities of Pushpit Steels Private Limited.

Rationale for the rating

The rating reaffirmation takes into account a stable improvement in the operational and financial performance of the Pushpit group, marked by an improvement in operating revenue. The group's revenue increased to Rs. 1870.22 crore in FY2023 from Rs. 1360.17 crore in FY22. The group is expected to register revenue of Rs. 1987.51 crore in FY24 (estimation). The ratings also considered the completion of capex in PSPL for increasing the billet and TMT capacity to 3 lakh MTPA, which is expected to further improve the scale of operations. The operating margins of the group declined marginally in FY23 to 4.49 percent, as against 4.79 percent in FY22. The group is estimated to register an operating margin of 5.56 percent in FY24 (E). Operating margins declined in FY23 due to an increase in raw material prices during the period; however, margins are estimated to improve to around 5.56 percent in FY24 due to economies in scale of operations backed by an increase in overall capacity. PG's debt/EBITDA level stood at 5.31 times as of March 31st, 2023, which is estimated to moderate to 4.06 times as of March 31st, 2024 (estimations) due to improvements in operating margins. The debt/EBITDA level is expected to improve further going forward due to the repayment of debt and improvements in operating profits backed by the increased capacity. However, the rating is constrained by moderate operating margins, a high level of debt/equity in FY23 and FY24 (estimations), the highly commoditized and fragmented nature of the secondary steel industry, resulting in intense competition, and margins susceptible to volatility in the raw material prices. Additionally, the group remains exposed to the inherent cyclicality in the steel industry and its key end-user industry.

About the Company

Incorporated in 1997, Pushpit Steels Private Limited (PSPL) engaged in manufacturing of M.S Billets, Sponge Iron and thermo-mechanically treated (TMT) bars. PSPL's manufacturing facility is located in Srikalahasthi, Chittoor Dt., Andhra Pradesh with a production capacity of manufacturing (MS) billets of 3,00,000 metric tons per annum (MTPA), TMT bars of 3,00,000

metric tons per annum (MTPA) and Sponge Iron of 1,30,000 metric tons per annum (MTPA).

About the Group

Pushpit group(PG) consists of two companies Pushpit steels private limited(PSPL) and Pulkit metals private limited(PMPL). PSPL was incorporated in 1997 with a manufacturing plant located at Srikalahasthi, Chittoor district in Andhra Pradesh. Pulkit Metals private limited(PMPL) was incorporated in 2010 with a manufacturing plant located at Pondicherry. Both the companies are engaged in manufacturing of M.S Billets, Sponge Iron and thermo mechanically treated (TMT) bars.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Pushpit Steels Private Limited (PSPL), Pulkit Metals Private Limited (PMPL), together referred to as the 'Pushpit Group or Group. The consolidation is in the view of common management, intercompany holdings, operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Extensive experience of promoters in the steel industry

The Group has an experience of more than three decades in the steel manufacturing. The key promoter of the group is Mr. Vinod Garg, who possesses experience spanning more than three decades in the iron and steel industry. The extensive experience of the promoter has helped the company establish long-term relationships with its customers and suppliers for repeat orders. The senior management team is ably supported by a strong line of mid-level managers who have extensive experience in their respective fields. Over the years of operations, the group has gradually increased its capacities and its integration level, benefiting their day-to-day operations. The steel manufacturing facilities of the group are located in proximity to the sources of key raw materials. Acuité believes that the extensive experience of the promoters with a strong understanding of market dynamics, healthy relations with customers and suppliers, and a positive domestic demand outlook will continue to benefit the business profile of the group over the medium term.

Improved business risk profile supported by integrated nature of operations

The strong business risk profile of the group is supported by the integrated nature of operations, which enhances operating efficiencies and mitigates the risks arising from the cyclical nature of the steel industry to some extent. The group's manufacturing facilities are integrated with the manufacturing of sponge iron, ingots and billets, and TMT bars. The integration in operations lends to considerable operational efficiency and flexibility in changing the product mix as per market demand. The revenue from operations of the group has improved from Rs. 1870.22 crore in FY2023 as compared to revenues of Rs. 1,360.17 crore in FY2022. The group is estimated to register revenue of Rs. 1987.51 crore in FY2024 (estimation). However, the operating profit margin of the group deteriorated marginally from 4.79 percent in FY2022 to 4.49 percent in FY2023 on account of an increase in raw material prices. The group is estimated to register operating margins of around 5.56 percent in FY24, backed by economies of scale of operations due to increased capacity. Acuité believes the revenue

from operations of the group will continue to improve over the medium term, backed by backward integration, a rise in capacity utilization, and buoyancy in the steel industry.

Healthy financial risk profile

The group's financial risk profile is healthy, marked by a healthy net worth, low gearing, and comfortable debt protection metrics. The group's net worth improved to Rs. 341.03 crore as of March 31, 2023, as against Rs. 292.22 crore as of March 31, 2022, on account of the accretion of profits to reserves during the same period. The gearing level of the group deteriorated and stood at 1.33 times as of March 31st, 2023, compared to 1.07 times as of March 31st, 2022. The deterioration is primarily on account of additional debt available for capex in PSPL. Furthermore, the total outside liabilities to tangible net worth (TOL/TNW) stood at 1.65 times as of March 31, 2023, respectively, vis-à-vis 1.38 times as of March 31, 2022. The debt protection metrics remain comfortable, marked by the interest coverage ratio and net cash accruals to total debt (NCA/TD) at 3.69 times and 0.12 times, respectively, in FY2023 as against 3.05 times and 0.12 times, respectively, in FY2022. Also, the debt service coverage ratio was 2.09 times for FY2023 compared to 1.93 times for FY2022. Acuité believes that the group's financial risk profile will remain healthy on account of no major debt-funded capex over the medium term.

Weaknesses

Moderate intensive nature of working capital operations

The Group's operations are moderately working capital intensive in nature, as reflected by its gross current asset (GCA) days of 110–125 during the last three years ended March 31, 2023. The inventory days ranged between 64 to 71 days, and the debtor's days ranged between 41 to 44 days during the last three years ended March 31, 2023. To support the working capital, the group stretches the creditors to an extent of about 21–27 days during the last three years ended March 31, 2022. Its bank limits are moderately utilized at 72 percent during the past 12 months through April 2024.

Acuité believes that the working capital management of the group for operations will remain a key rating sensitivity going forward.

Susceptibility to cyclicity in the steel industry and end-user industry

The domestic steel sector is characterized by demand cyclicity, volatility in raw material and metal prices, high regulatory risk, and the risk of imports. Group operates in the cyclical steel industry, thus making it vulnerable to downturns in industry demand, leading to a decline in realizations and profitability. Moreover, the bulk of its revenue is derived from the cyclical domestic end-use industry; demand depends on economic growth and consumer sentiments, and thus any decline in demand can also have an adverse impact on sales and profitability for the group. Demand for steel products depends on the level of construction and infrastructure activities and any movement in economic cycles. Furthermore, the steel industry remains exposed to global steel prices. While the cost-efficient and integrated domestic steel operations of the company partially cushion profitability against cyclical downturns, it will remain exposed to inherent price and demand volatility in the steel industry. Acuité believes that domestic consumption growth will continue in FY2024 and FY2025, underpinned by demand growth from construction, real estate, automobiles, and consumer durables segments. High government spending on infrastructure, private sector capex, and the availability of credit will support demand growth in the end-user segment.

Susceptibility to fluctuations in raw material prices or changes in government regulations

The group's operating profitability remained range-bound between 4.249 percent and 4.85 percent for the three years ended March 31, 2023, as it is susceptible to fluctuations in raw material prices. The sector participants typically have high operating and financial leverage, large working capital requirements, and large-sized debt capital funding from the capex. Domestic steel producers are substantially dependent on imports of coking coal, and hence, any supply-side issue could have a material impact on utilization and profitability. In addition, metal prices are heavily dependent on international prices, as the domestic market is open

for imports. China has been a key exporter in the international market and accounts for about 50% of global production. Hence, any changes in its economic policies that could impact infrastructure spending or the easing of environmental norms can materially impact metal prices. Acuité believes that increasing scale would result in better absorption and higher margins, which would remain key rating monitorable.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability margins.
- Any further deterioration in DEBT/EBITDA and debt protection metrics.
- Any deterioration in working capital management leading to deterioration in financials risk profile and liquidity.

Liquidity Position: Adequate

The liquidity position of the group remains adequate, marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 23 to 52 Cr. during the last three years through 2021-23, while its maturing debt obligations were in the range of Rs. 8 to 18 Cr. over the same period. The cash accruals of the group are estimated to be around Rs. 76–97 crore during 2024–26, while its repayment obligations are estimated to be around Rs. 26–27 crore during the same period. The group's operations are moderately working capital intensive, as marked by gross current asset (GCA) days in the range of 108 to 126 days over the last 3 years ending March 31st, 2023. This has led to a moderate reliance on working capital borrowings; the average working utilization of working capital limits in PMPL stood at 57%, whereas that of PSPL stood at 63% during the last 12 months ending April 2024. The current ratio of the group stands at 1.34 times as of March 31, 2023 and March 31, 2022. The group has an unencumbered cash and bank balance of Rs. 1.45 crore as of March 31, 2023.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and no major large debt capex plans over the medium term.

Outlook: Stable

Acuité believes that group will maintain a 'Stable' outlook over the medium term as it is a established player in the steel industry with an integrated nature of operations, established relations with its customers and suppliers, healthy financial risk profile. The outlook may be revised to "Positive", if the group demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if group generates lower-than-anticipated cash accruals most likely as a result of sharp decline in operating margins, or further stretch in its working capital cycle, or larger-than expected debt-funded capex or any significant investments in group entities.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1870.22	1360.17
PAT	Rs. Cr.	28.47	17.98
PAT Margin	(%)	1.52	1.32
Total Debt/Tangible Net Worth	Times	1.60	1.07
PBDIT/Interest	Times	3.69	3.05

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. 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
16 May 2023	Term Loan	Long Term	12.63	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.60	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.90	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.10	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	41.74	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	8.26	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	10.12	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.94	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	32.01	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	7.99	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Assigned)
	Proposed Letter of Credit	Short Term	55.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	6.40	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Assigned)
		Short		

11 Apr 2022	Letter of Credit	Term	30.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	14.50	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	5.90	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	4.10	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	6.10	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	10.12	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	2.94	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.30	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	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
Bandhan 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
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	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
HDFC 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
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	42.00	ACUITE A2+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE A2+ Reaffirmed
South Indian 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
RBL Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A2+ Reaffirmed
Bandhan Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A2+ Reaffirmed

HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A2+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A2+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.63	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	05 Mar 2021	Not avl. / Not appl.	01 Sep 2028	Simple	7.08	ACUITE A- Stable Reaffirmed
South Indian Bank	Not avl. / Not appl.	Term Loan	20 Jan 2023	Not avl. / Not appl.	20 Jan 2030	Simple	24.46	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not avl. / Not appl.	Term Loan	30 Oct 2022	Not avl. / Not appl.	01 Jul 2029	Simple	10.77	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	16 Sep 2022	Not avl. / Not appl.	16 Aug 2029	Simple	67.88	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not avl. / Not appl.	Working Capital Term Loan	20 Jan 2021	Not avl. / Not appl.	01 Jan 2028	Simple	4.65	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Term Loan	11 Mar 2024	Not avl. / Not appl.	10 Feb 2028	Simple	3.96	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	01 Feb 2022	Not avl. / Not appl.	31 Dec 2027	Simple	2.93	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	01 Jan 2022	Not avl. / Not appl.	01 Feb 2027	Simple	5.92	ACUITE A- Stable Reaffirmed
South Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	26 Mar 2021	Not avl. / Not appl.	26 Mar 2026	Simple	1.41	ACUITE A- Stable Reaffirmed

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

Sr.No.	Company Name
1	Pulkit Metals Private limited
2	Pushpit Steels 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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