

Press Release

Srijan Steel And Power Industries Private Limited

August 26, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB**' (read as ACUITE double B) on the Rs.33.00 crore bank facilities of Srijan Steel & Power Industries Private Limited. The outlook is 'Stable'.

The rating reflects the promoter's long experience in iron ore industry through other entities. In addition, the project has locational advantage as the upcoming project will be located in the steel region of the country. The ratings derive comfort from proximity to raw material sources as the project will be located near to mines of Jharkhand and Orissa. However, the ratings are constrained by project's nascent stage as the upcoming plant is under construction stage along with significant funding risk as the company is yet to receive the bank loan to finance the project.

About the Company

Jharkhand based, SSPIPL has been incorporated on February 23, 2011, for setting up a 1.0 Million MTPA iron ore beneficiation plant. The project cost stood at Rs 55.00 Cr. The same will be funded through a mix of debt and equity in 1.50:1 ratio. The project is likely to commence operation from April 2023 onwards. The project is being developed by mainly two promoters Mr. Suresh Kumar Pradhan and Mr. Pullabhatla Venkat Subba Rao who bear adequate expertise in the field of project implementation and operation.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSPIPL while arriving at the rating

Key Rating Drivers

Strengths

Experienced Management

The director of the company Mr. Satish Kr. Pradhan has more than a decade experience in iron ore trading business, through other organizations. He is presently director in Torque Minerals Pvt Ltd which is engaged in trading of iron ore and Glancore Minerals Pvt Ltd. which

is engaged in iron ore beneficiation. Mr. Sitesh had developed wide range of suppliers and customers in his trading business which will be an added advantage to this current project. Presently his company is supplying iron ore to many leading steel plants in the eastern part of the country. He is also supported by the other director Mr. PV Subba Rao who has more than three decades of experience in the field of iron, steel and power project construction and operations through other organisations. The other director Mr. Rakesh Giri also has 37 years of experience in different industries through other organisations.

Proximity to raw material sources

Annual requirement of iron ore fines for SSPIPL would be around 1.04 million MTPA, which is available from the mines in West Singhbhum, Jharkhand & Orissa Barbil sector (within a range of 120 km radius from the plant). Further, the total power load for the project is about 1.0 MW and the company will draw power from nearby sub-station of Jharkhand State.

Weaknesses

Nascent stage of operations

The promoters of the company have infused Rs 21.00 Cr till March 2022 to fund the ongoing project. The project is yet to achieve financial closure. Moreover, the civil work for preliminary stages has been completed and civil construction work and erection work is in progress. Few equipment have already reached to site and the quotations for the machineries for balance of equipment have been obtained and Vendors have been finalized. Hence project might witness a time overrun as construction and erection work is yet to commence.

Significant funding risk

Significant funding risks as the loans are yet to be sanctioned from the bank to partly finance the project. Moreover, the project is being funded in the debt equity ratio of 1.50:1 which is a moderate funding

Rating Sensitivities

- Timely completion of the project without any cost overrun

Material covenants

None

Liquidity Position

Stretched

The company's liquidity profile stood stretched as project has high funding risk. The project is in the nascent stage as promoters had infused Rs.21 Cr of capital to fund the project and they are yet to achieve financial closure. Acuité believes liquidity profile will improve over the medium term backed by infusion capital and debt to fund the project.

Outlook- Stable

Acuité believes the company's outlook will remain 'Stable' over the medium term on account of experienced promoters. The outlook may be revised to 'Positive' in case there is significant progress in the project. Conversely, the outlook may be revised to 'Negative' in case of significant delay in project execution resulting in cost overrun.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	(0.08)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.10	0.22
PBDIT/Interest	Times	0.00	(0.23)

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BB Stable Assigned

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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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