

Press Release

S D Bansal Iron And Steel Private Limited

September 27, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	35.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 35.00 crore bank facilities of S D Bansal Iron and Steel Private Limited (SDBISPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects improvement in the business risk profile as well as financial risk profile of the company along with favorable industry prospects. The same is also supported by improvement in scale of operations along with improved operating margins and efficient working capital management. The rating also factors in long extensive experience of promoters in the steel business and vintage of relationship with its customers and suppliers. However, the above mentioned strengths are constrained by susceptibility to volatility in raw material prices, intense competition and cyclicity inherent in the steel industry.

About the Company

SD Bansal Iron & Steel Pvt Ltd (SDBISPL) is a Bhopal, Madhya Pradesh-based Company incorporated in December 2006. The Company is engaged in the business of manufacturing of Mild Steel (MS) ingots and TMT bars. MS Ingots are mainly utilised for captive use. SDBISPL's manufacturing facility is located in Mandideep Industril Area, Raisen District (Madhya Pradesh) and has an installed capacity of 80,000 Metric Tons Per Annum (MTPA) of rolling mill for manufacturing TMT bars and a capacity of 80,000 MTPA for MS Billets. The Company manufactures ISI quality TMT bars of size ranging from 8 mm to 32 mm and sells it under the brand name 'Bansal TMT Sariya'. SDBISPL also has a media division under the name of "Bansal News" through which it runs a regional news channel in Madhya Pradesh and Chhattisgarh. SDBISPL is a part of the Bansal group which has a presence in the Construction, Healthcare, Soya Extraction, Education, and the Metal industry.

About the Group

Bansal group of Bhopal (Madhya Pradesh) which has diversified business operations across sectors such as civil and road construction, steel processing, media, education, healthcare and solvent extraction through various group entities.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SDBISPL to arrive at this rating.

Key Rating Drivers

Strengths

>Experienced management and established brand presence in steel industry

SDBISPL has an established presence in the steel industry since 2006. The company has established its own brand 'Bansal TMT Sariya' which has a strong regional market recall for TMT bars. The key promoter Shri Anil Bansal & Shri Sunil Bansal, has more than two decades of experience in steel industry and has developed keen insight and market knowledge needed for anticipating price trends, calibrate purchasing as well as stocking decisions. Over the years, company has developed longstanding relationship with its customers and suppliers. The experience of promoters and longstanding relationship with customers is also reflected through its increasing scale of operations with revenues of Rs.220.68 Cr in FY2022 as against Rs.152.91 Cr in FY2021 and Rs.162.19 Cr. in FY2020. The decline in FY2021 was primarily on account disruptions caused by COVID 19 lockdowns. The revenue has been recovered in FY2022 and is primarily driven by increase in volume sales in TMT bars, MS Billets during the period along with increase in average realization. Apart from that, the company has a media division under the name of "Bansal News" through which it runs a regional news channel in Madhya Pradesh and Chhattisgarh. The operating margin of the company further got improved and stood at 5.99 percent for FY2022 as against 4.95 percent for FY2021 and 4.53 percent in FY2020.

Acuité believes that SDBISPL will continue to benefit from its experienced management, established brand presence and longstanding relationship with its customers and suppliers.

>Healthy Financial Risk Profile

The financial risk profile of the company stood healthy marked by moderate net worth, low gearing and debt protection metrics. The tangible net worth stood at Rs.41.56 crore as on 31 March, 2022 (Prov) as against Rs.34.30 crore as on 31 March, 2021 and Rs.32.10 crore as on 31 March, 2020. The total debt of the company stood at Rs.25.29 crore includes Rs.2.17 crore of long term debt, Rs.10.21 crore of short term debt, Rs.12.91 crore of unsecured loans as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 0.61 times as on 31 March, 2022 (Prov) as compared to 0.83 times as on 31 March, 2021 and 1.00 time as on 31 March, 2020. Interest Coverage Ratio stood at 9.65 times for FY2022 (Prov) as against 4.92 times for FY2021 and 5.20 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 6.20 times in FY2022 (Prov) as against 4.23 times in FY2021 and 4.79 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.30 times as on 31 March, 2022 (Prov) as against 1.59 times as on 31 March, 2021 and 1.85 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.41 times for FY2022 (Prov) as against 0.18 times for FY2021 and FY2020.

Acuité believes that the financial risk profile of SDBISPL will remain healthy in near to medium term due to its improving operating performance and low debt levels.

>Efficient Working Capital Operations

The working capital management of the company is efficient marked by GCA days of 115 days in FY2022 (Prov) as against 144 days in FY2021 and 136 days in FY2020. The debtor days stood at 63 days in FY2022 (Prov) as against 84 days in FY2021 and 78 days in FY2020 which is in line with the average credit period allowed to customers of 60 – 75 days. Also, the creditor days stood at 46 days in FY2022 (Prov) as against 52 days in FY2021 and 50 days in FY2020 which is in line with the average credit period allowed by suppliers of 45-50 days. However, the inventory holding period of the company stood at 31 days in FY2022 (Prov) as against 25 days in FY2021 and 26 days in FY2020. The inventory days increased as the company started procuring material from Europe and Dubai. Going ahead the company would be importing 50% of the material from these countries.

Acuité believes that the company will maintain an efficient working capital management over the near to medium term on account of adequate availability of funds.

Weaknesses

>Susceptibility of profitability margins to volatility in raw material prices

SDBISPL will remain susceptible to seasonality in steel prices. The improvement in revenue in FY2022 is primarily driven by increase in steel prices in the wider market. Any volatility in the steel prices will adversely impact SDBISPL's revenue and profitability. Any significant changes in raw material prices due to import pressure and over supply are likely to have an adverse impact on margins of the company.

>Cyclical and competitive nature of steel industry

The steel long products industry is intensely competitive, with many organized and unorganized players especially in the secondary/steel re-rolling business, which is less capitalintensive. SDBISPL operates in a highly competitive steel industry thereby putting pressure on capacity utilisation and pricing power. In addition, the industry is reeling under the pressure of cheaper imports. The performance is linked to the steel industry which is cyclical in nature as well as end user industries such as real estate, infrastructure and construction. However, this risk is mitigated as the infrastructure industry is booming and the demand is much on a higher side backed by government initiatives for the upcoming years.

Rating Sensitivities

- Ability to maintain scale of operations and operating profitability
- Any deterioration in the financial risk profile on account of higher than expected debt addition

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.5.18- Rs.10.29 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.0.48 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.13.52-17.12 crores against the maturing repayment obligations of around Rs.0.56-0.76 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 115 days in FY2022 (Prov) as against 144 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.71 crore as on March 31, 2022 (Prov). The current ratio stands at 1.98 times as on March 31, 2022 (Prov). The company has availed covid loan of Rs.2.79 crore. The average bank limit utilization for the past 06 months ending August 2022 is ~ 88.01 percent.

Acuité believes that the liquidity of SDBISPL is likely to remain adequate over the medium term on account of adequate cash accruals against its maturing debt obligations

Outlook: Stable

Acuité believes that SDBISPL will maintain 'Stable' outlook over the medium term on account of its experienced management, healthy financial risk profile and increase in scale of operations. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	220.67	152.91
PAT	Rs. Cr.	7.25	2.21
PAT Margin	(%)	3.29	1.44
Total Debt/Tangible Net Worth	Times	0.61	0.83
PBDIT/Interest	Times	9.65	4.92

Status of non-cooperation with previous CRA (if applicable)

Not Applicable.

Any other information

Particulars	FY2022 (Provisional)	FY2021 (Actual)
PBT	9.07	3.31

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<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
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.67	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.12	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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