



Press Release
S D Bansal Iron And Steel Private Limited
December 26, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed its long-term rating to **'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 reaffirmation

The reaffirmation of the rating takes into account the stable operating performance of SDBISPL, marked by an improved scale of operations albeit a slight moderation in operating profitability and moderate financial risk profile. The revenue of the company improved to Rs.307.14 crore in FY2023 as against Rs.221.31 crore in FY2022. Further, the rating also factors in long extensive experience of promoters in the steel business, vintage of relationship with its customers and suppliers and adequate liquidity. However, the above mentioned strengths are constrained by susceptibility to volatility in raw material prices, Moderately intensive working capital operations, 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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. The experience of promoters and longstanding relationship with customers is also reflected through its increasing scale of operations with revenues of Rs.307.14 Cr in FY2023 as against Rs.221.31 Cr in FY2022. The revenue has been improved in FY2023 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. However, the operating margin of the company stood at 5.17 percent for FY2023 as against 5.87 percent for FY2022. The PAT margin also stood at 2.59 percent in FY2023 as against 2.80 percent in FY2022.

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

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by moderate net worth, low gearing and debt protection metrics. The tangible net worth stood at Rs.48.45 crore as on 31 March, 2023 as against Rs.40.51 crore as on 31 March, 2022. The total debt of the company stood at Rs.46.12 crore includes Rs.1.62 crore of long term debt, Rs.31.94 crore of short term debt, Rs.11.80 crore of unsecured loans and Rs.0.77 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood low at 0.95 times as on 31 March, 2023 as compared to 0.62 times as on 31 March, 2022. Interest Coverage Ratio stood at 5.36 times for FY2023 as against 9.33 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 3.62 times in FY2023 as against 5.47 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.94 times as on 31 March, 2023 as against 1.31 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.23 times for FY2023 as against 0.36 times for FY2022.

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

Weaknesses

Moderately Intensive Working Capital Operations

The working capital management of the company is moderately intensive marked by GCA days of 141 days in FY2023 as against 100 days in FY2022. The debtor days stood at 54 days in FY2023 as against 56 days in FY2022. The average credit period allowed to customers of 30-40 days. The creditor days stood at 46 days in FY2023 and FY2022 as against 52 days in FY2021 which is in line with the average credit period allowed by suppliers of 45-50 days. The inventory holding period of the company stood at 37 days in FY2023 as against 29 days in FY2022. The inventory days increased as the company procures some material from Europe and Dubai. The average inventory holding period is around 45-60 days.

Acuité believes that the company's working capital operations in the medium term due to the nature of the industry, will remain a key rating sensitivity.

Susceptibility of profitability margins to volatility in raw material prices

SDBISPL will remain susceptible to seasonality in steel prices. The improvement in revenue in FY2023 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

All 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.10.71 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.0.48-0.77 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.9.76-11.69 crore against the maturing repayment obligations of around Rs.0.61-0.77 crore over the medium term. The working capital management of the company is moderately intensive marked by GCA days of 141 days in FY2023 as against 100 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.2.66 crore as on March 31, 2023. The current ratio stands at 1.30 times as on March 31, 2023. The average bank limit utilization for the past 11 months ending November 2023 is ~ 98.79 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, moderate financial risk profile, increase in scale of operations and longstanding relationship with customers. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	307.14	221.31
PAT	Rs. Cr.	7.95	6.20
PAT Margin	(%)	2.59	2.80
Total Debt/Tangible Net Worth	Times	0.95	0.62
PBDIT/Interest	Times	5.36	9.33

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 Sep 2022	Cash Credit	Long Term	32.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.12	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.21	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.67	ACUITE BBB- 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
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.21	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.67	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.12	ACUITE BBB- 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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