



Press Release
S D BANSAL IRON AND STEEL PRIVATE LIMITED
March 25, 2025
Rating Downgraded

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**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 downgrade takes into account the decline in the revenue of the company on account of lower steel price realisation and low demand from the end-user industry. The rating also considers the exposure to inherent cyclicality in the steel industry along with intensive working capital operations marked by full utilisation of the fund-based limits. However, the rating factors in the long operational track record of Bansal group, stable operating margin and moderate financial risk profile. Further, any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the company will remain a key monitorable.

About the Company

Incorporated in 2006, S D Bansal Iron and Steel Private Limited (SDBISPL) is a Bhopal based company engaged in the business of steel manufacturing i.e. TMT Bars and MS Billets, having an installed capacity of 80,000 MT. The company imports raw material of scrap from Singapore, Hong Kong and Middle Eastern countries. The manufacturing facility of SDBISPL is located at Raisen district of Madhya Pradesh (MP) and company is having geographical presence in MP, Chhattisgarh, Rajasthan and Gujarat. Additionally, the company is also engaged into the electronic media business and runs a news channel named 'Bansal News'. The company is currently managed by Mr. Sunil Bansal and Mr. Kartik Bansal.

About the Group

Bansal group of Bhopal (MP) 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 presence

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 promoters, Mr. Anil Bansal & Mr. Sunil Bansal, have more than two decades of experience in steel industry and has developed keen insight and market knowledge needed for anticipating price trends, calibrating purchases as well as stocking decisions. The experience of promoters and longstanding relationship with customers is also reflected through its group presence across diversified businesses.

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 moderate debt protection metrics. The tangible net worth stood at Rs.51.78 Cr. as on 31st March, 2024 as against Rs.48.45 Cr. as on 31st March, 2023 due to accretion to reserves. The total debt of the company stood slightly low at Rs.44.70 Cr. in FY24 as against Rs.45.91 Cr. in FY23 which improved gearing at 0.86 times as on 31st March, 2024 as against 0.95 times as on 31st March, 2023. However, due to the decrease in the profitability, the Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) lowered at 3.15 times and 2.27 times respectively for FY24 as against 5.36 times and 3.62 times respectively for FY23.

Acuité believes that the financial risk profile of SDBISPL will remain moderate in near to medium term on the back of steady cash accruals and no significant debt funded capex.

Weaknesses

Declining revenue affected by low demand and realisations

The revenue of the company declined to Rs.203.54 Cr. in FY24 as against Rs.307.14 Cr. in FY23. Further, the company has recorded revenue of ~Rs.100 Cr. till January,2025. This decrease was on account of subdued demand from end-user segments like infrastructure and housing construction companies and secondly because of elections that took place in MP in the first quarter of FY25. Moreover, the reduction in steel prices continues to affect the top line of the company leading to lower realisations. Going ahead, the recovery seems to be challenging due to the current industry scenario and also because of slow down in the government spending on infra sector. However, despite the significant moderation in the top line, the operating margin has improved to 5.47 percent in FY24 as against 5.17 percent in FY23 due to the lower input cost incurred.

Therefore, any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the company will remain a key monitorable.

Intensive working capital operations

The working capital management of the company is intensive marked by Gross Current Assets (GCA) of 179 days in FY24 as against 132 days in FY23. The debtor days stood high at 132 days in FY24 as against 54 days in FY23. While earlier the average credit period allowed to customers was 30-40 days, this increased significantly in FY24 due to the comfort extended to the debtors to maintain the market position. The creditor days stood at 61 days in FY24 as against 47 days in FY23 which is slightly more with the average credit period allowed by suppliers of 45-50 days. The inventory holding period of the company stood low at 17 days in FY24 as against 37 days in FY23 on account of low procurement due to reducing demand. The average inventory holding period is around 45-60 days. Acuité believes the working capital cycle is expected to remain intensive over the medium term considering the downtrend in the industry.

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 capital intensive. 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 of the steel industry is linked to end user industries such as real estate, infrastructure and construction which is cyclical in nature as well as.

Rating Sensitivities

Improvement in the operating income and profitability margins.

Elongation of working capital cycle.

Sustenance of healthy capital structure.

Liquidity Position

Stretched

The company's liquidity position is stretched marked by full utilisation of the fund based limit at ~100 percent for last 6 months ending February 2025. Further, the current ratio stood moderate at 1.60 times as on 31st March, 2024. However, the net cash accruals of the company stood at Rs.6.47 Cr. against debt repayment obligation of Rs.0.77 Cr. in FY24. Going forward, the net cash accruals are expected to be in the range of Rs.3.00-5.00 Cr. through FY2025-27 against repayment obligations of Rs.0.55-0.85 Cr. The company has cash and bank balance of Rs.2.66 Cr. as on 31st March, 2024.

Acuité believes that the liquidity of SDBISPL is likely to remain stretched over the medium term on account of slow recovery in the steel industry.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	203.54	307.14
PAT	Rs. Cr.	3.33	7.95
PAT Margin	(%)	1.64	2.59
Total Debt/Tangible Net Worth	Times	0.86	0.95
PBDIT/Interest	Times	3.15	5.36

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

Not Applicable.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, Acuité 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
26 Dec 2023	Cash Credit	Long Term	32.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.67	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.12	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.21	ACUITE BBB- Stable (Reaffirmed)
27 Sep 2022	Cash Credit	Long Term	32.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.67	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.12	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.21	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.00	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.55	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Term Loan	21 May 2024	Not avl. / Not appl.	29 Feb 2028	0.89	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Term Loan	21 May 2024	Not avl. / Not appl.	31 Oct 2024	0.56	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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