



**Press Release**  
**Heena Steel LLP**  
**August 14, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	84.00	ACUITE BB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	84.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B Plus**) from '**ACUITE BB-**' (read as **ACUITE double B Minus**) on the Rs.84.00 Cr. bank facilities of Heena Steel LLP (HS). The outlook is '**Stable**'.

**Rationale for Rating Upgrade**

The rating upgrade considers the improvement in the financial risk profile of the firm marked by an increase in networth, improvement in gearing level and Debt-EBITDA levels. Further, the rating considers the firm's adequate liquidity position marked by generation of healthy accruals against no maturing repayment obligations and moderately utilized working capital limits. Further, the rating reflects the firm's established track record of operations of more than 7 years and long-standing experience of the promoters in the industry. However, the revenue of the company moderated to Rs.737.57 Cr. in FY2024(Prov.) against Rs.1060.86 Cr. in FY2023 , primarily on account of lower price realisations. On the other hand, the firm's operating profitability remained range bound at 2.53% in FY2024(Prov) against 2.42% in FY2023.

Further, the rating remains constrained on account of moderately intensive working capital operations, susceptibility of profitability to volatility in raw material prices, intense competition and inherent cyclicity in the steel industry.

Going ahead, the ability of the firm to grow its scale of operations while maintaining its profitability margins and to improve its financial risk profile while avoiding any significant elongation in working capital cycle will remain key rating monitorable.

## About the Company

HS is a partnership firm which got established in the year 2017 by Mr. Bharat J. Bhuta & Mr. Bhavin B. Bhuta and is engaged into the trading and distribution of iron and steel products. The firm is based out in Mumbai and is an authorized distributor of various grades of TMT bars of JSW Steel Ltd. by catering to top project customers in various segments in Mumbai as well as all over Maharashtra with original brand name JSW TMT Plus FE-500 D.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of HS to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Established track record along with experienced management

HS is engaged into the trading and distribution of iron and steel products since 2017. The firm is managed by the partners Mr. Bharat J. Bhuta and Mr. Bhavin B. Bhuta who possess nearly five decades and two decades of experience in the iron and steel trading industry. The partners are being supported by its team of experienced professionals in managing day to day operations of HS. The extensive experience of the partners has enabled HS to establish a healthy relationship with its customers and suppliers. Acuité believes that HS will continue to benefit from its experienced management. The revenue of the company stood at Rs. 737.57 Cr. in FY2024(Prov.) as against Rs. 1060.86 Cr. in FY2023 as against Rs. 414.22 Cr. in FY2022.

#### Moderate financial risk profile

The company's financial risk profile is moderate marked by moderate net worth, debt protection metrics and gearing levels.

The tangible net worth of the company stood at Rs.32.07 crore as on 31 March 2024(Prov.) as against 25.29 crore as on 31 March 2023. The net worth has improved on account of accretion of profits to reserves and is gradually expected to improve further over coming years. The gearing level of the company stood at 2.38 times as on 31 March 2024(Prov.) as against 2.48 times as on 31 March 2023. The total debt of the company stood at Rs.76.36 crore as on March 31, 2024(Prov.). The whole debt comprised of short- term debt. Interest Coverage Ratio (ICR) stood at 4.04 times for FY24(Prov.) against 5.06 times for FY23. Debt Service Coverage Ratio (DSCR) stood at 2.99 times for FY24(Prov.) against 3.63 times for FY23. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.94 times as of March 31, 2024(Prov.) as against 2.85 times as of March 31,2023. The Debt/EBITDA levels stood at 3.98 times as of March 31, 2024(Prov.) as against 2.42 times as of March 31,2023.

Acuité believes that HS's financial risk profile will continue to improve further in the absence of any major debt funded capex plans over the medium term.

### Weaknesses

#### Moderately intensive working capital operations of the company

The working capital operations of the company stood moderately intensive marked by GCA days of 62 days in FY 2024 (Prov.) as against 33 days in FY 2023, the increase in GCA days is on account of increase in the inventory levels. The debtor days stood at 11 days in FY 2024 (Prov.) as against 14 days in FY 2023 and the inventory days for the company stood at 41 days in FY 2024 (Prov.) as against 15 days in FY 2023. The inventory for the company consists of HR Coils, JSW TMT bars, etc. However, the creditors days stood at 1 day in both FY 2024 (Prov.) and FY2023 as well.

Acuité believes that the ability of HS to maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

#### 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. HS operates in a highly competitive steel industry thereby putting pressure on 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 improve scale of operations while maintaining profitability margins.
- Ability to improve financial risk profile

## Liquidity Position Adequate

The company has an adequate liquidity position marked by sufficient net cash accruals against no maturing debt obligations. The company generated cash accruals of Rs.9.44 crore in FY24(Prov). The company maintained unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2024(Prov.) The current ratio stood at 1.37 times as on March 31, 2024(Prov.) The average bank utilization of the company stood in the range of ~68.17% - 81.24% in last 6 months ended June 24.

Going ahead, the liquidity position is expected to remain adequate in absence of nil repayment obligations and buffer available from the unutilised working capital limits over the medium term.

## Outlook: Stable

Acuité believes that HS will maintain 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of higher than expected 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 risk 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	737.57	1060.86
PAT	Rs. Cr.	9.28	13.34
PAT Margin	(%)	1.26	1.26
Total Debt/Tangible Net Worth	Times	2.38	2.48
PBDIT/Interest	Times	4.04	5.06

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2024	Cash Credit	Long Term	15.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
	Cash Credit	Long Term	22.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
	Channel/Dealer/Vendor Financing	Long Term	12.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
	Channel/Dealer/Vendor Financing	Long Term	5.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB   Stable)
10 Mar 2023	Cash Credit	Long Term	22.00	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BB   Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BB   Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BB   Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	12.00	ACUITE BB   Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	5.00	ACUITE BB   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
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )
Yes Bank Ltd	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )
ICICI Bank Ltd	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )
Axis Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )
Bank of Baroda	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB- )

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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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