



Press Release
SOMANI ISPAT PRIVATE LIMITED
September 24, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	102.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	58.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	160.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and the short-term rating of ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) on the Rs. 160.00 Cr. bank facilities of Somani Ispat Private Limited (SIPL). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation reflects moderation in SIPL’s operating scale driven by volume growth, despite pressure on profitability on the back of lower realisations. The financial risk profile remains moderate, supported by steady net worth and a balanced capital structure, though rising interest costs have impacted debt protection metrics to an extent. Liquidity remains adequate, aided by efficient working capital management with moderate working capital utilization and promoter support through unsecured loans continue to provide financial flexibility. Further, profitability would remain susceptible to cyclical nature of industry. Acuite will continue to monitor the company’s ability to scale up operations while maintaining profitability.

About the Company

Incorporated in 1992 in Telangana, Somani Ispat Private Limited (SIPL) is involved in the trading of steel and iron products including sections, plates, angles, channels, beams, TMT bars, etc. Currently, the business is promoted by Mr. Ashok Kumar Somani and Mr. Sanjay Kumar Somani who have more than three decades of experience in steel trading business. SIPL owns five warehouses located in Kompally, Balanagar, Jeedimedla in Hyderabad and two in Vizag (near to SAIL stockyard). SIPL has an authorised distributorship of products manufactured by SAIL in part of Telangana. SIPL is also the authorised dealer of Rastriya Ispat Nigam Limited (RINL) and Jindal Steel & Power Plant (JSPL) which ensures regular supply of traded steel.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

SIPL is promoted by Mr. Ashok Kumar Somani and Mr. Sanjay Kumar Somani who have more than three decades of experience in steel trading business. SIPL is an authorised distributor of Steel Authority of India

Limited (SAIL) in Telangana state and Vizag region and is also an authorised dealer for Rastriya Ispat Nigam Limited (RINL) and Jindal Steel and Power Plant (JSPL). Company's customers includes marquee clients such as Pennar industries, Ultratech cements and Dalmia cements to name a few. The extensive experience of promoters has helped the company establish long-term relationships with its customers and suppliers for repeat orders. Acuite believes that PG may continue to benefit from its established track record of operations and longstanding relationships with its customers and suppliers.

Efficient working capital cycle

The working capital cycle of the company remains efficient, though there has been a slight elongation in FY25 (prov.). The Gross Current Asset (GCA) improved marginally to 74 days in FY25 (prov.) from 77 days in FY24. Inventory days rose to 47 days in FY25 (prov.) from 34 days in FY24. Debtor days remained stable at 20 days in both FY25 (prov.) and 29 days in FY24, supported by the company's strong customer relationships with entities such as Pennar Industries Limited, Ultratech Cement Limited, Paramount Building Solution Private Limited Unit-III, Electrosteel Casting Limited, and Deccan Cements Limited. Creditor days stood at 1 day in FY25 (prov.) from 7 days in FY24. Further, the average fund-based working capital utilization remained moderate at ~58 per cent for the six months ended August 2025, further supporting the company's liquidity profile. Despite the marginal increase in inventory and creditor days, the company continues to demonstrate efficient working capital management, maintaining low receivables and a disciplined procurement cycle.

Weaknesses

Moderation in scale of operations along with decline in profitability

The company's business risk profile remains moderate, with a slight decline of ~2.92 per cent in operating income in FY25 (prov.) to Rs. 1,545.06 Cr. from Rs. 1,591.56 Cr. in FY24. This decline is primarily due to a reduction in average selling prices across product categories. The company has maintained healthy volumes, but pricing pressure in the steel market has impacted revenue. Further, the PAT margin has marginally declined to 0.52 per cent in FY25 (prov.) from 0.64 per cent in FY24. The EBITDA margin has improved to 1.72 per cent in FY25 (prov.) from 1.34 per cent in FY24. Further, the company reported revenue of Rs. ~Rs. 409 Cr. in Q1FY25 and EBITDA margin stood at 2.83 per cent. Acuite believes that the sustainability of revenue and margin recovery will be a key monitorable going forward.

Moderate Financial risk profile

The financial risk profile of the company remains moderate, marked by moderate net worth, gearing, and debt protection metrics. The tangible net worth of the company increased to Rs. 171.45 Cr. as on March 31, 2025 (prov.) from Rs. 163.35 Cr. as on March 31, 2024 and Rs. 153.11 Cr. as on March 31, 2023. The improvement in net worth is primarily due to accretion of profits to reserves. The total debt of the company stood at Rs. 173.22 Cr. as on March 31, 2025 (prov.), up from Rs. 165.97 Cr. in FY24 and Rs. 120.40 Cr. in FY23. The capital structure remains moderate with gearing at 1.01 times in FY25 (prov.) compared to 1.02 times in FY24 and 0.79 times in FY23. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 1.07 times in FY25 (prov.), showing a slight improvement from 1.33 times in FY24, indicating better control over external liabilities. Debt protection metrics have weakened due to a decline in operating profitability. The Debt Service Coverage Ratio (DSCR) declined to 1.90 times in FY25 (prov.) from 2.03 times in FY24. Similarly, the Interest Coverage Ratio (ICR) dropped to 2.08 times in FY25 (prov.) from 2.34 times in FY24. The decline in coverage ratios is primarily due to increased interest costs, reflecting pressure on earnings and cost of borrowing. Acuite believes that the sustainability of SIPL's financial profile is likely to sustain going forward, supported by stable internal accrual generation.

Susceptibility of profitability to cyclical in an intensely competitive industry

SIPL is engaged in trading business of steel products to the top steel manufacturers of the country. The steel consumption is majorly dependent upon the economic activities taking place in and around the country. The end user industry being infrastructure and real state, any significant slowdown in these industries will impact the demand of steel and will impact the revenues of the firm. Further, the firm competes with various players in the organized and unorganized segments in the steel trading industry, thus limiting the pricing power.

Rating Sensitivities

- Consistent improvement in revenues and profitability margins
- Any significant elongation in working capital cycle impacting its liquidity
- Changes in financial risk profile

Liquidity Position Adequate

The liquidity position of the company remains adequate as they have sufficient net cash accruals (NCA) against no debt repayment obligations. SIPL has generated Rs.12.38 Cr NCA in FY25 (prov.) as against Rs. 12.16 Cr in FY24. The current ratio stood at 3.89 times in FY25 (prov.) Further the cash and bank balances stood at Rs. 0.18 Cr in FY25 (prov.). The average fund-based working capital utilization remained moderate at ~58 per cent for the six months ended August 2025, further supporting the company's liquidity profile.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	1545.06	1591.56
PAT	Rs. Cr.	8.10	10.24
PAT Margin	(%)	0.52	0.64
Total Debt/Tangible Net Worth	Times	1.01	1.02
PBDIT/Interest	Times	2.08	2.34

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 Jun 2024	Bank Guarantee (BLR)	Short Term	43.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	101.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BBB+ Stable (Reaffirmed)
30 Mar 2023	Bank Guarantee (BLR)	Short Term	43.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	101.00	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.00	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
Karur Vysya Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	43.00	Simple	ACUITE A2+ Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	101.00	Simple	ACUITE BBB+ Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A2+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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