

Press Release

Shree Steel Casting Private Limited

May 02, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.70	ACUITE BB Stable Assigned	-
Bank Loan Ratings	3.30	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	11.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of **ACUITE BB (read as ACUITE double B)** and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs 11 Cr bank facilities of Shree Steel Casting Private Limited (SSCPL). The outlook is 'Stable'.

Rationale for Rating Assigned

The rating assigned takes into account the healthy business profile of the group supported by its long operational track record and its diversified revenue profile along with its consistent growth in the revenue. The ratings also factor in moderate financial risk profile of the company marked by its moderate network and capital structure. However, the above mentioned rating strengths are partially offset by the company's working capital intensive nature of operations and susceptibility of profitability to volatility in raw material prices.

About the Company

Shree Steel Casting Private Limited is Incorporated in 1984 and located at Nagpur Maharashtra. SSCPL manufactures castings for the engineering and automotive sectors. The promoters, Mr Manoj Maheshwari and Mr Ramniwas Daga have extensive industry experience of about two decades. The manufacturing facilities are located in MIDC & Nagpur, Maharashtra. Capacity for manufacturing steel casting is 400 metric tons per month.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Shree Steel Casting Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record and experienced management

Shree Steel Casting Private Limited is incorporated in 1984 and located at Nagpur Maharashtra. SSCPL manufactures castings for the engineering and automotive sectors. The promoters, Mr Manoj Maheshwari and Mr Ramniwas Daga have extensive industry experience of about two decades. Geographically they are catering to majorly in Maharashtra, & few parts of Karnataka & Telangana. The established track record is also reflected through growth in scale of operations with revenue in FY22 stood at Rs. 32.46 crore as against Rs. 19.61 crore in FY21. Further, the company has achieved revenue of Rs 46.9 Cr in

FY23 (Prov). The improvement is majorly driven by rise in demand and price realization. Further, EBITDA Margin for the FY22 stood at 8.47% as against 10.74% in FY21. The Profit after tax margins (PAT) stood at 2.66% in FY22 from 2.44% in FY21.

Acuite believes that SSCPL will continue to benefit from its established track record of operations and experience management over the medium term.

Moderate Financial risk profile

The financial risk profile of the company remained moderate marked by moderate net worth, average debt protection metrics and moderate gearing ratio. The net worth of the company stood at Rs. 5.60 Cr as on FY22 as against Rs. 4.74 Cr as on FY21. The increase in net worth is majorly due to accretion of profit to the reserves. The gearing level (debt-equity) stood at 1.65 times as on FY22 as against 1.85 times as on FY21. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 3.08 times in FY22 as against 2.87 times in FY21. The coverage indicators are average marked by Interest Coverage Ratio (ICR) of 2.33 times for FY22 as against 1.91 times for FY21. Debt service coverage ratio (DSCR) stood at 1.31 times in FY22 as compared with 1.23 times in FY21. However the financial risk profile of the company will remain moderate in near future as new GECL loan taken of Rs 1.90 Cr in FY23.

Acuite believes that financial risk profile of the company may continue to remain moderate over the medium term with no major debt-funded capex plans.

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Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive in nature marked by GCA Days of 183 days in the FY22 as against 224 days in FY21. The receivables days stood at 124 days in FY22 & 156 days in FY21, however the credit period allowed is of 45 – 90 days only. The inventory holding days stood at 55 days in FY22 as against 60 days in FY21. The company generally need to maintain a raw material inventory of 7 – 10 days & finished stock for 30 -40 days. The creditor days of the company stood at 99 days in FY22 as against 98 days in FY21. The creditor days are higher as it include the LC related procurement which generally has a tenure of 90 days and credit period allowed for other purchases is 30 days.

Acuite believes that the operations of the company may continue to remain working capital intensive in nature considering the higher realization period.

Intense competition and susceptible to price fluctuations

The steel industry remains fragmented and unorganized. The group is exposed to intense competitive pressures from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. Further, prices of raw materials and products are highly volatile in nature. Hence, the profitability margins are susceptible to volatility in raw material price fluctuations. Business operations also face competition from cheaper Indonesian and Chinese imports. Substantial increase in imports may adversely impact realization and volumes, and hence, remains a key monitorable.

Rating Sensitivities

Further Elongation in working capital cycle

Increase in revenue growth while maintaining profitability margins

Material covenants

None

Liquidity Position

Adequate

Liquidity of SSCPL is adequate as the cash accruals generated of Rs. 1.27 Cr in FY22 against the maturing debt obligation of Rs 0.64 Cr during the same period. Further, the company is expected to generate a net cash accruals in the range of Rs 2.14 – 3.72 Cr in near to medium term against the maturing debt obligation of Rs 0.44 – 0.90 Cr during the same tenure. The current ratio stood at 1.40 times in FY22. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.14 times in FY22 as against 0.10 times in FY21. The average bank limit utilization for fund based limits is 76% for 10 month ended January 2023.

Acuité believes the company may continue to maintain adequate liquidity position over the medium term on account of steady accruals.

Outlook: Stable

Acuité believes the outlook on group will remain 'Stable' over the medium term backed by its experienced management and long track record of operations along with moderate financial risk profile. The outlook may be revised to 'Positive' if the group is able to improve its scale of operations significantly along with sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in working capital operations leading to stretch in liquidity profile or financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	32.46	19.61
PAT	Rs. Cr.	0.86	0.48
PAT Margin	(%)	2.66	2.44
Total Debt/Tangible Net Worth	Times	1.65	1.84
PBDIT/Interest	Times	2.33	1.91

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, 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

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Dombivli Nagari Sahakari Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.80	ACUITE A4+ Assigned
Dombivli Nagari Sahakari Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB Stable Assigned
Dombivli Nagari Sahakari Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.80	ACUITE BB Stable Assigned
Dombivli Nagari Sahakari Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.90	ACUITE BB Stable Assigned

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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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