



**Press Release**  
**Shree Steel Casting Private Limited**  
**July 22, 2024**  
**Rating Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.70	ACUITE BB+   Stable   Upgraded	-
Bank Loan Ratings	3.30	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	11.00	-	-

**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**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 11 crore bank facilities of Shree Steel Casting Private Limited (SSCPL). The outlook is '**Stable**'.

**Rationale for Rating**

The rating upgrade reflects the sustainable growth in the business risk profile and further improvement in financial risk profile. In FY2023, the revenue of the company was at Rs. 46.86 crore, as against Rs. 32.46 crore in FY2022. The revenues of the company for FY2024 were at Rs. 46.09 crore (Provisional). The turnover has improved due to increase in volume of sales, and better price realisations in FY24 and FY23.. The operating margin of the company has improved to 13.22 percent in FY2024 (Prov.) and 9.18 percent in FY2023 as compared to 8.47 percent in FY2022 due to reduction in the material cost.

Acuite also derives comfort from the financial risk profile of the company which continues to remain healthy, with gearing below unity and healthy debt coverage indicators led by consistent increase in the networth, due to healthy cash accruals over the years. In addition, the company has an adequate liquidity profile as reflected from its increasing net cash accrual, minimum debt repayment and improving current ratio. The rating further draws comfort from the company's established track record of the operation for more than two decades. These strengths are however, partly offset by competitive nature of the industry.

**About the Company**

Shree Steel Casting Private Limited (SSCPL) 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.

**Unsupported Rating**  
Not Applicable

**Analytical Approach**

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

## Key Rating Drivers

### Strengths

#### Established track record and experienced management

The company has a long operational track record in the manufacture of castings for around four decades. Further, the promoters of the company including Mr. Manoj Shrikrishna Maheshwari and Mr. Ram Niwas Daga, Mr. Sajid Abbas Kothawala, and Mr. Lakshya Manoj Maheshwari have more than two decades of experience in the castings industry. The company has been able to maintain healthy relationship with both its customers and suppliers. Acuité believes that the long operational track record of the company coupled with the extensive experience of the management will continue to benefit the company going forward, resulting in steady growth in the scale of operations.

#### Healthy Financial Risk Profile

The financial risk profile of the company remained healthy marked by moderate net worth, healthy debt protection metrics and comfortable gearing ratio. The net worth of the company stood at Rs. 12.20 crore in FY2024 (Prov.) and Rs. 7.53 crore in FY2023 as against Rs. 5.60 crore in FY2022. The increase in net worth is majorly due to accretion of profit to the reserves. The gearing (debt-equity) stood at 0.55 times in FY2024 (Prov.) and 1.33 times in FY2023 as against 1.65 times in FY22. Total outside liabilities to Tangible net worth (TOL/TNW) ratio has improved and stood at 0.85 times in FY2024 (Prov.) and 2.37 times in FY2023 as compared to 3.03 times in FY2022. The healthy debt protection metrics of the company are marked by healthy Interest Coverage Ratio of 5.94 times and Debt Service Coverage Ratio at 2.79 times in FY2024 (Prov.). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.77 times in FY2024 (Prov.) and 0.23 times in FY2023 as against 0.14 times in FY2022. Acuité believes that going forward the financial risk profile of the company will improve over the medium term, in the absence of any major debt funded capex plans.

#### Improved Working Capital Operations

The company's working capital operations is improving as reflected by Gross Current Assets (GCA days) of 111 days in FY2024 (Prov.) as against 147 days in FY2023 and 183 days in FY2022. The debtor days have improved to 72 days in FY2024 (Prov.) as against 111 days in FY2023 from 124 days in FY2022, due to recent circular on MSME payment of Income Tax Act, section 43B(h) maximum collection period of 45 days. Because the company is currently improving the inventory conversion time, inventory days have improved and stood at 26 days in FY2024 (Prov.) and 27 days in FY2023 as opposed to 55 days in FY2022. The creditor days stood at 18 days in FY2024 (Prov.) and 65 days in FY2023 as against 99 days in FY2022. Acuité believes that the working capital requirement is likely to sustain at the similar level over the medium term.

### Weaknesses

#### Intense competition and susceptible to price fluctuations

The castings industry remains fragmented and unorganized. The company 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.

### Rating Sensitivities

- Sustainability in revenue growth and profitability margins.
- Improvement in scale of operations.
- Absence of capital expenditure plan.

### Liquidity Position

## Adequate

Liquidity of SSCPL is adequate, marked by steady net cash accruals of Rs. 5.17 crore in FY2024 (Prov.) as against a long-term debt repayment of only Rs. 1.18 crore over the same period. The unencumbered cash and bank balances stood at Rs. 1.75 crore as on March 31st, 2024. However, the current ratio is comfortable and stood at 2.44 times in FY2024 (Prov.) and 1.51 times in FY2023 as compared to 1.39 times in FY2022. Additionally, the fund-based limit utilized □ 18 percent for the six months ended June 2024. Reduction in the utilizations is a result of the company's recently improved collecting period. Acuité believes that going forward the liquidity position of the company will improve due to gradually improving cash accruals.

## Outlook: Stable

Acuité believes the outlook on company 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 company 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	46.09	46.86
PAT	Rs. Cr.	4.67	1.93
PAT Margin	(%)	10.13	4.12
Total Debt/Tangible Net Worth	Times	0.55	1.33
PBDIT/Interest	Times	5.94	3.30

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 May 2023	Cash Credit	Long Term	5.00	ACUITE BB   Stable (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A4+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.80	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	1.90	ACUITE BB   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	0.80	ACUITE A4+ (Assigned)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.80	ACUITE A4+   Reaffirmed
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A4+   Reaffirmed
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2027	Simple	1.90	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Sep 2027	Simple	0.80	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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