

Press Release

SRI LANGTA BABA STEELS PRIVATE LIMITED

July 31, 2024

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	65.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	67.22	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	14.17	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	146.39	-	-

Erratum: In the PR dated 23th July 2024, the section for brief writeup on rationale for rating action was erroneously missing and the same is included in this PR.

Rating Rationale

ACUITE has reaffirmed its long-term rating of 'ACUITE BBB' (read as ACUITE triple B) and short-term rating of 'ACUITE A3+' (read as ACUITE A three plus) on the Rs 81.39 crore bank facilities of Sri Langta Baba Steels Private Limited (SLBSPL). The outlook is 'Stable'.

ACUITE has assigned its long-term rating of 'ACUITE BBB' (read as ACUITE triple B) on the Rs 65.00 crore bank facilities of Sri Langta Baba Steels Private Limited (SLBSPL). The outlook is 'Stable'.

Rationale for rating

The rating reaffirmation reflects that there is an improvement in scale of operations as the company has sold more units in FY24 than FY23 and also they have increased the capacity utilization of the current installed capacity in FY24. However the revenue has been declined due to the lower average realization per unit. The operating margin has improved from 4.74% in FY23 to 5.96% in FY24 and also company has healthy financial risk profile. However the rating remains constrained on account of increase in working capital operations and susceptibility in profitability due to volatility in raw material prices.

About the Company

Incorporated in 2005, Sri Langta Baba Steels Private Limited (SLBSPL) runs a fully automatic steel re-rolling mill in Jharkhand to manufacture MS Billets and thermo-mechanically treated bars (TMT). The directors of the company are Mr. Mohan Prasad Saw and Mr. Suraj Kumar Gupta. The installed capacity of MS Billets is 144000 MTPA and TMT bars are 150000 MTPA. The TMT bars are sold under the brand-name 'TUFFCON'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Sri Langta Baba Steels Private Limited (SLBSPL).

Key Rating Drivers

Strengths

Experienced Management and long track record of operation

The directors, Mr. Mohan Prasad Saw and Mr. Suraj Kumar Gupta of Sri Langta Baba Steels Private Limited (SLBSPL), have been in the iron and steel industry for around two decades. Acuité derives comfort from the long experience of the promoters. SLBSPL has a long operational track record of nearly two decades. Acuité believes that the long track record of operations will benefit the company going forward.

Financial Risk Profile

The financial risk profile of the company is healthy marked by net-worth of Rs. 75.83 Crore in FY24 (prov.) against Rs. 61.67 Crore in FY23. The total debt of the company stood at Rs. 68.88 Crore in FY24 (prov.) which consists of long term debt of Rs. 3.23 Crore, Short term debt of Rs. 64.36 Crore and CPLTD of Rs. 1.29 Crore. Further, the debt-equity ratio of the company stood at 0.91 times in FY24 (prov.) against 1.01 times in FY23. The interest coverage ratio of the company stood at 4.71 times in FY24 (prov.) against 6.13 times in FY23. The DSCR of the company stood at 2.46 times in FY24 (prov.) against 3.31 times in FY23 and TOL/TNW ratio stood at 2.77 times in FY24 (prov.) against 2.98 times in FY23.

Weaknesses

Working capital operations

The working capital operations of the company is intensive marked by GCA days of 165 days in FY24 (prov.) against 118 days in FY23. There is an increase in the GCA days due to the inventory days of the company which stood at 89 days in FY24 (prov.) against 71 days in FY23, debtors days of the company stood at 34 days in FY24 (prov.) against 31 days in FY23 and creditors days stood at 43 days in FY24 (prov.) against 26 days in FY23.

Susceptibility to volatility in raw material prices and cyclicity inherent in the steel industry

Raw material consumption is the single largest cost component for the secondary players in iron and steel industry. The company does not have backward integration for its raw materials and the same is purchased from traders located in UP, Jharkhand, Orissa, Bengal and Madhya Pradesh. Further, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital intensive nature of steel projects along-with the inordinate delays in the completion leads to demand supply mismatch.

Rating Sensitivities

- Growth in scale of operations while improving operating profitability.
- Working capital management
- Sustenance in their capital structure

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The net cash accruals of company stood at Rs. 19.79 Cr. in FY 24 (prov.) against the CPLTD of Rs. 4.11 Cr. for the same period giving some legroom for growth fund. The company has cash & bank position of Rs. 15.70 Cr. and current ratio stood at 1.37 times for FY 24 (prov.). The average fund based bank limit utilization is at 60.13% and non-fund based bank limit utilization is at 85.54% for the 6 months' period ending June 2024.

Outlook: Stable

Acuité believes that the outlook on SLBSPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	515.86	595.67
PAT	Rs. Cr.	14.36	14.60
PAT Margin	(%)	2.78	2.45
Total Debt/Tangible Net Worth	Times	0.91	1.01
PBDIT/Interest	Times	4.71	6.13

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2023	Bank Guarantee/Letter of Guarantee	Short Term	10.39	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	2.61	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	1.99	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	5.45	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	0.95	ACUITE BBB Stable (Assigned)
25 Mar 2022	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.38	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	5.45	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE BBB Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	31 Oct 2021	Not avl. / Not appl.	31 Mar 2027	Simple	2.22	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.17	ACUITE A3+ Reaffirmed

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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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