



Press Release
TECH NIRMAN ISPAT PRIVATE LIMITED
February 03, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	8.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned a long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n Rs. 8.00 Cr. bank facilities of Tech Nirman Ispat Private Limited (TNIPL). The outlook is ‘**Stable**’.

Rationale for Rating

The rating assigned reflects the experienced management in the steel industry through their group entity and flagship company SRMB Srijan Private Limited, which also provides TMT bars for trading to TNIPL. The company’s financial risk profile is characterized by comfortable capital structure, improved TOL/TNW and steady improvement in networth. The working capital management of the company is efficiently marked by Gross Current Assets (GCA) of 66 days as on 31st March 2024 as compared to 73 days as on 31st March 2023. The adequate liquidity of the company is backed by improving accruals, low dependence on short term borrowings, efficient working capital management, and a high current ratio. Further, the security deposits received from the dealer/ distributors provide ample liquidity to the Company. The rating is constrained by decline in operating income due to fluctuation in TMT prices and lower volume sold, cyclical nature of the industry albeit improvement in EBDITA and PAT for FY2024. However, the company has a small scale of operations at present but growth potential is expected to materialize over the next 2-3 years.

About the Company

West Bengal – Based, Tech Nirman Ispat Private Limited (TNIPL) was incorporated in 2013. The commercial operations began by the end of the year 2021. The company is engaged in trading TMT products under Top Tech Brand. The sourcing of the TMT is presently being effected through its group entity SRMB Srijan Private Limited. The operations of the company are headed by Mr. Nikunj Beriwal and Mr. Ashish Beriwal. The brand ambassador for Top Tech is Mr. Ranveer Singh.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone business and financial risk profile of TNIPL while arriving at the rating.

Key Rating Drivers

Strengths

Experience of management in steel industry

The company is led by Mr. Ashish Beriwal and Mr. Nikunj Beriwal, who bring decades of expertise in the steel industry. TNIPL sources TMT bars from their flagship company, SRMB Srijan Private Limited under the Top Tech

brand. TNIPL has an exclusive distribution network over 500 distributors and dealers across West Bengal, including regions like Murshidabad, Midnapur, Siliguri, Hoogly, Cooch Behar, Malda, Dinajpur, and Bankura.

Improvement in margins

The EBITDA margin stood at 4.57 percent in FY24 as against 0.70 percent in FY23 and (1.98) percent in FY22. The EBITDA margin was negative as the company started operations in FY22 and had to bear high expenditure costs. The margins have improved gradually because of the reduction in operating expenses. The PAT margin stood at 3.07 percent in FY24 as against 0.24 percent in FY23 and 4.46 percent in FY22. Acuite believes that the margins will remain at similar levels over the medium term.

Efficient working capital cycle

The working capital management of the company is efficiently marked by Gross Current Assets (GCA) of 66 days as on 31st March 2024 as compared to 73 days as on 31st March 2023 and 84 days as on 31st March 2022. The efficient level of GCA days is primarily on account of nil inventory levels. This is because it deals in a dealer-distributor market as the orders where TMT bars are dispatched from SRMB factory. Further, the debtor period stood at 61 days as on Mar 31, 2024, as compared to 66 days as on Mar 31, 2023 and 77 days as on Mar 31, 2022. The credit terms with customers are 30 days. Furthermore, the security deposits received from the dealer/distributors provide ample liquidity to the Company. However, in exchange, TNIPL offers extended credit periods to these dealers. Against this the creditor days stood at 9 days in FY24 as against 17 days in FY23 and 33 days in FY22. Acuite believes the working capital cycle will remain on similar levels over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the company is marked by steady improvement in net worth, nil gearing and strong debt protection metrics. The net worth of the company stood at Rs.12.13 Cr. as on March 31, 2024, as compared to Rs.7.49 Cr. as on March 31, 2023, and Rs.7.01 Cr. as on March 31, 2022, due to accretion to reserves. The TOL/TNW has improved from 4.63 times in FY23 to 1.28 times in FY24. The strong debt protection metrics of the company are marked by Interest coverage ratio (ICR) at 9.07 times in FY2024 as against 1.76 times in FY2023 and debt service coverage ratio (DSCR) at 7.06 times in FY2024 as against 1.61 times in FY2023. Acuite believes that going forward the financial risk profile of the company will remain on similar levels over the medium term, in the absence of any major debt funded capex plans and minimum reliance on bank borrowings.

Weaknesses

Decline in operating income

TNIPL had registered a revenue of Rs. 150.75 Cr. in FY24 as against Rs. 204.94 Cr. in FY23 and Rs.156.05 Cr. in FY22. The decline is due to fluctuations in TMT prices and decrease in volume sold. The company's pricing remains comparatively lower than SRMB brand. Further, the company has achieved revenues of Rs. 50.00 Cr. till November 2024. Acuite believes the scale of operations will remain on similar lines over the medium term.

Intense competition and inherent cyclicality in the steel industry

The company is operating in competitive and fragmented nature of industry due to the presence of a large number of unorganized players on account of low entry barriers. Moreover, demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the profit margins and sales of the company remains exposed to inherent cyclicality in these sectors.

Rating Sensitivities

- Movement in operating income and profitability margins
- Working capital management

Liquidity Position

Adequate

The company has adequate liquidity reflected from improving net cash accrual of Rs.4.64 Cr. during FY2024 as against repayment of nil debt obligations. In addition, average utilization of working capital limits at 13 per cent for fund based ended October 2024. Further, the working capital management of the company is efficiently marked by Gross Current Assets (GCA) of 66 days as on 31st March 2024 as compared to 73 days as on 31st March 2023. The current ratio stood high at 4.53 times as on 31st March 2024 as against 2.73 times as on 31st March 2023. Acuite believes the liquidity position of the company will remain adequate, backed by improving accruals, efficient working capital management, low dependence on short term borrowings and a high current ratio over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	150.75	204.94
PAT	Rs. Cr.	4.64	0.49
PAT Margin	(%)	3.07	0.24
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	9.07	1.76

Status of non-cooperation with previous CRA (if applicable)

None

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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB Stable Assigned

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