



Press Release
SATYAM STEEL
March 26, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 50 Cr. bank facilities of Satyam Steel. The outlook is '**Stable**'.

Rationale for rating

The rating takes into account benefits derived from experienced management along with widespread geographical presence of the firm, expected improvement in revenues and operating profitability with backward integration, moderate working capital cycle and adequate liquidity. However, these strengths are partly offset by thin profitability margins and average financial risk profile.

About the Company

Raipur based-Satyam Steel (SS) was set up by the Patel family namely Mr. Gautam Patel, Mr. Bharat Patel, Mr. Raghav Patel, and Mr. Rohit Patel in 2020 for the manufacturing of MS Pipes through a semi-integrated operation. The firm has an installed capacity of 60,000 MTPA for manufacturing of MS Pipes in Siltara, Raipur and has completed trial runs for the ongoing capex of the backward integration through in-house manufacturing of MS strips having installed capacity of 59,900 MTPA. The commercial production for MS Strips is expected to start from March 2025.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone business and financial risk profile of Satyam Steel to arrive at the rating.

Key Rating Drivers

Strengths

Benefits derived from Experienced Management along with geographical presence of the company

The operations of the firm are run by Mr. Gautam Patel who looks after the business operations and decision making, Mr. Bharat Patel who handles plant maintenance and operations, Mr. Raghav Patel who look into marketing strategies and exploring new markets and Mr. Rohit Patel who is responsible for financial planning, budgeting and reporting. The partners have also been engaged in different businesses in Plywood, Binding wire, Real estate. The partners have also been successful in creating the market presence for the products and establishing their brand presence under name Sanatan around nine states through this firm. Acuite believes that the experience of promoters and the geographical presence of the firm's business risk profile going forward.

Improving Revenues and Operating Profitability

The revenues stood at Rs. 106.12 Cr. as on March 31, 2024 as compared to Rs. 21.08 Cr. as on March 31, 2023 on account of increase in the capacity utilization in FY 24 leading to higher quantity sold. The operating margins have slightly declined to 2.55 percent as on March 31, 2024 as compared to 2.66 percent as on March 31, 2023. Acuite believes that with the augmentation of backward integration facility of induction furnace to manufacture billets and then strips, the revenues are expected to increase further along with improvement in profitability over the medium term.

Moderate Working Capital Cycle

The operations of the firm have a moderate working capital cycle as reflected from Gross Current Asset Days of

68 days as on March 31, 2024 as compared to 198 days as on March 31, 2023. The inventory days stood at 31 days as on March 31, 2024 as compared to 134 days as on March 31, 2023. The debtor days stood to 18 days as on March 31, 2024 as compared to 23 days as on March 31, 2023. The creditor days stood at 14 days as on March 31, 2024 as compared to 32 days as on March 31, 2023. Acuite believes that working capital requirements are expected to remain moderate in the near to medium term.

Weaknesses

Average Financial risk profile

The financial risk profile of the firm is average marked by comfortable net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs. 20.41 Cr. as on March 31, 2024 as compared to Rs. 9.27 Cr. as on March 31, 2023 due to accretion of reserves and infusion of capital. Acuite has considered unsecured loans of Rs. 10.08 Cr. as on FY 2024 as compared to Rs. 6.05 Cr. as on FY 2023 as quasi equity, as the same is subordinated to bank loans. Gearing stood at 1.42 times as on March 31, 2024 compared to 1.45 times in FY2023. The interest coverage ratio stood at 1.73 times as on March 31, 2024 compared to 1.09 times as on March 31, 2023. The debt service coverage ratio stood stable at 1.13 times as on March 31, 2024 as compared to 1.09 times as on March 31, 2023. The TOL/TNW stood at 1.61 times as on March 31, 2024 as compared to 1.65 times as on March 31, 2023. Acuite believes that the firm's financial risk profile will remain average in the near to medium term.

Rating Sensitivities

Movement in revenues and operating profitability

Timely stabilization of the capex

Working capital cycle

Liquidity Position

Adequate

The liquidity is adequate marked by net cash accruals of Rs. 1.16 Cr. as on March 31, 2024 as against long term debt repayment of Rs. 0.84 Cr. over the same period. The net cash accruals are expected to remain sufficient to repay debts over the medium term. The cash and bank balances stood at Rs. 0.25 Cr. as on March 31, 2024 as compared to Rs. 0.10 Cr. as on March 31, 2023. The current ratio stood at 1.60 times as on March 31, 2024 as compared to 1.23 times as on March 31, 2023. The fund-based utilization for nine months ended, January 25 is 97%. Acuite believes that going forward the liquidity position of the firm will remain at similar levels 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.	106.12	21.08
PAT	Rs. Cr.	0.03	(0.55)
PAT Margin	(%)	0.03	(2.61)
Total Debt/Tangible Net Worth	Times	1.42	1.45
PBDIT/Interest	Times	1.73	1.09

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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 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
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.47	Simple	ACUITE BB+ Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	30 Jun 2023	Not avl. / Not appl.	31 Mar 2031	4.53	Simple	ACUITE BB+ Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	31 Jan 2025	Not avl. / Not appl.	31 Mar 2034	35.00	Simple	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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