



RATING RATIONALE
17Aug2021

Shreeyam Power And Steel Industries Limited

Brickwork Ratings upgrades ratings for the outstanding Non-Convertible Debentures Issue of Rs.98.51 Crores of Shreeyam Power And Steel Industries Limited ('SPSIL' or 'the Issuer' or 'the Company')

Particulars

Instrument **	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (30Oct2020)	Present
NCD	105.68	98.51	Long Term	BWR B-/Stable Upgraded	BWR B+/Stable Upgrade
Grand Total	105.68	98.51	(Rupees Ninety Eight Crores and Fifty One Lakhs Only)		

#Please refer to BWR website www.brickworkratings.com for definition of the ratings

** Details of NCD are provided in Annexure

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of SPSIL upto FY20, provisional financials for FY21, projected financials upto FY23, publicly available information, and information/clarifications provided by the company's management.

Based on a review, BWR has upgraded the rating for the outstanding NCDs of SPSIL for Rs.98.51 Crs.

The rating draws strength from the company's established track record, experienced management in the steel industry. The ratings also take due cognisance of the company's satisfactory financial performance as profitability and credit profile improved in FY21(Provisional). The ratings are,



however, constrained by the susceptibility of operating margins to volatility in input costs and cyclicity in the steel sector. The rating further factors in the stiff competition in the sector due to the fragmented nature of the iron and steel industry, with a large number of organised and unorganised players.

BWR has noted that the Company is making constant efforts to prepay the high cost NCDs resulting in current outstanding NCD of Rs.98.51 Crs as on 13th August 2021.

Rating Outlook: Stable

The stable outlook reflects that the Company will continue to benefit from the extensive experience of its promoters in the industry.

BWR believes the **Shreeyam Power And Steel Industries Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced management and established track record:** SPSIL was incorporated in July 1995, SPSIL has been promoted by Mr. Santosh Shahra who has over 35 years of experience in the steel industry. The extensive experience of the management and established operational track record which has helped to understand market dynamics and establish a relationship with customers & suppliers ensuring repeat business.
- **Scale of Operations:** SPSIL has registered total operating income of Rs.896.06 Crs in FY20 as against total operating income of Rs.1013.90 Crs in FY19. In spite of Covid-19 adversities, the company has been able to achieve a healthy operating income of Rs. 854.67 Crs in FY21(Provisional) and operating profit margin at 10.33% in FY21(Provisional).
- **Comfortable Financial Risk profile:** : The financial risk profile of the Company is comfortable with networth of Rs.363.71 Crs and gearing of 0.31 times as on 31st March 2021(Provisional). During FY21 (Provisional), it reported improved debt coverage metrics also comfortably at interest service coverage ratio of 3.28x (FY20: 2.07x) and debt service coverage ratio of 2.53x (FY20: 1.55x).



Credit Risks:

- **Exposure to fluctuations in raw material prices:** Raw material consumption is the single largest cost component for the players in the iron and steel industry. Though the prices of finished goods broadly move in tandem with input prices, there may be a time lag which exposes the company to raw material price volatility risk.
- **Vulnerability to cyclical inherent in the steel products industry :** Demand for steel products is linked to the demand and capital expenditure (CAPEX) programmes of key end-user industries such as the real estate, civil construction, automobile, and engineering industries; which are cyclical in nature. The slowdown in these segments, due to an economic downturn, may constrain growth in revenue and profitability.

ANALYTICAL APPROACH - Standalone

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to improve revenue from current levels, along with maintaining operating margins and credit metrics at current levels on a sustained basis would be key rating sensitivity.

Upwards: The ratings may revise the ratings upward, in case of substantial and sustainable growth in revenue with stable profitability, higher net cash accrual, improvement of financial risk profile and better management of liquidity.

Downwards: The ratings can move downward if there is a sharp decline in operating cash-flows, significant increase in debt, subdued financial performance and liquidity will be negative for the rating.

LIQUIDITY INDICATORS - Adequate

Liquidity profile of SPSIL remained adequate characterized by sufficient cushion in accruals (around Rs. 64.11 Crs) against debt repayment obligations (around Rs.9.00Crs) in FY21. Total cash & cash equivalent balance as on 31 March 2021(Provisional) was Rs.9.98 Crs. The Company will be in a position to service in debt obligations from its cash accruals.

ABOUT THE ENTITY

The company was originally incorporated in the name of Mid India Engineering Limited on July 19, 1995. In 2004, it took up a project for setting up Steel Melting facilities and TMT manufacturing facilities in Gandhidham, Kutch, Gujarat and the commercial operations commenced in June 2005.



The Company changed its name to Mid India Power and Steel Limited in November 2007 and subsequently to Ruchi Power and Steel Industries Limited in September 2010 and now to Shreeyam Power and Steel Industries Limited December 2011.

SPSIL has been promoted by Mr. Santosh Shahra has over 35 years of experience in the steel business. The company is engaged in manufacturing of Sponge Iron, TMT Bars and also having Steel Melting shops, rolling mills and captive power plant located at Gandhidham, Gujrat and Pithampur, Madhya Pradesh. The Pithampur unit is not operational and the company plans to sell off this unit.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 19-20 (Audited)	FY 18-19 (Audited)
Operating Revenue	Rs.Crs.	896.06	1013.90
EBITDA	Rs.Crs.	68.48	110.36
PAT	Rs.Crs.	3.54	1198.22
Tangible Net worth	Rs.Crs.	328.50	325.92
Total Debt/Tangible Net worth	Times	0.50	0.55
Current Ratio	Times	0.88	0.84

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Instrument	Current Rating (2021)			2021 (History)		2020		2019		2018	
	Type	Tenure	Amount (Rs.Crs.)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	LT	98.51	BWR B+/Stable (Upgraded)	NA	NA	30Oct2020	BWR B-/Stable (Upgraded)	10Apr2019	BWR B-/Stable (Affirmed)	NA	NA
						9Apr2020	BWR D (Downgraded)	25Mar2019	Provisional BWR B-/Stable	NA	NA



Grand Total	98.51	(Rupees Ninety Eight Crores and Fifty One Lakhs Only)
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COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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ANNEXURE Details of NCD rated by BWR

Instrument	Issue Date	***Amount (Rs.Crs)	##Coupon Rate	Maturity Date	ISIN Particulars
NCD	29Mar2019	98.51	22% p.a	28 Mar 2024	INE437L07010
Total		98.51	(Rupees Ninety Eight Crores and Fifty One Lakhs Only)		

*** Outstanding amount of NCD as on 13 Aug 2021

#Cash coupon of 18% p.a. payable at the end of each month from the Date of Allotment; and balance coupon of 4% p.a.p.m required to achieve the Agreed Returns to be capitalized and paid as Redemption Premium on the Debentures being redeemed either on the Redemption date or earlier.



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