



Press Release

Steel Exchange India Limited

March 25, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	10.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	40.00	IVR A4+ (IVR A Four Plus)	-	Assigned	Simple
Total	50.00	(Rupees Fifty Crore Only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the Bank facilities of Steel Exchange India Limited (SEIL). The rating derive strength from experienced promoters and long track record of operations, integrated steel plant leading to cost efficiencies and moderate profitability levels and locational advantage. However, these rating strengths remain constrained by profits susceptible to volatility in raw material prices, working capital intensive nature of operations, weak debt protection metrics, cyclical nature of industry.

The outlook is stable in view of experience of promoters, long and established customer relations and integrated plant unit.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in operating income and profitability leading to improvement in liquidity position of the company.
- Significant improvement in debt protection metrics.



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Downward Factors

- Any decline in operating income leading to deterioration in overall financial risk profile of the company.
- Any large debt funded capex leading to deterioration in debt protection metrics and/or the liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations

SEIL, the flagship company of the Vizag Profiles group, is led by Mr. B Satish Kumar who serves as the Chairman and Managing Director, Mr. B Suresh Kumar serving as joint managing director. Both possess over three decades of experience in steel and related industries. The company is also supported by another director, Mr. B Mohit Sai Kumar. Mr. Satish is assisted by a team of professionals responsible for handling key functional areas, and they collectively have experience in their respective fields for more than two decades.

Integrated steel plant leading to moderate profitability

The company has an integrated steel plant in the state of Andhra Pradesh with sponge iron production by using the iron ore procurement from NMDC to billets manufacturing TMT bars by continuous casting process. Besides, the company has a 60 MW power generation plant which partly runs on the waste fuel gases generated in the DRI Kilns. The integrated manufacturing process is supported by the key raw material sourcing arrangement with linkages with NMDC for iron ore and Singareni Collieries Company Limited for coal that ensures cost and quality control. The raw material tie-up with a dedicated 3-lane electrified captive railway siding within the premises for coal and iron ore and the availability of surplus in-house power generation (which is also being sold outside) has helped the company to maintain stable manufacturing EBITDA margins in the past. The EBITDA margins stood at 8.85% in FY2024 (refers to period from April 01, 2023, to March 31, 2024) and 10.77% in 9MFY2025. The margins are expected to improve in FY2026 led by higher capacity utilization levels for incremental capacities of 3,57,000 MTPA for manufacturing 8mm, 10mm TMT bars.



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Locational advantage

The plant is located at Maliveedu, Vizianagaram, Andhra Pradesh. The site is located by the side of Balidala- Kirandul railway line near Kotha Vatsala at Sreerampuram Village having Vishakhapatnam City only 35 Kms away from the plant.

The plant is connected to Roadways enroute on Vishakhapatnam – Araku Road. It has two captive railway sidings at the plant for raw material reception by rakes. The Vishakhapatnam City Airport is around 35 km from the plant and the Gangavaram Sea Port as well as the Vishakhapatnam Sea port are within 40 kms from the plant. Because of such robust connectivity, the company has very low freight costs.

Key Rating Weaknesses

Profitability susceptible to volatility in raw material prices

Commodities are essential inputs to the manufacturing of steel. These commodities have global supply chains, and their prices are significantly impacted by various factors such as the geopolitical landscape, supply-demand imbalance, weather patterns, policy interventions by governments in key sourcing/consuming countries (especially China), and the increasing financialization of commodities markets. The changing prices of coal and iron are generally reflected through adjustments in steel prices, which help manage long-term price trends. The past few years have seen significant volatility in commodity prices, particularly due to the effects of the Russian-Ukraine war and the Israel-Hamas conflict thereby impacting the margins of Steel players in India.

Working capital intensive nature of operations

Since the industry is niche the operations of the company though improved YOY, will remain to be modest. The company's EBITDA margins over the past three fiscal years, fluctuating between 8% and 10% As of January 31, 2025, approximately 16.35% of the company's outstanding receivables fall into the category of more than 6 months.



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- **Weak Debt protection metrics; expected to improve owing to higher accruals from completed capex**

The DSCR of the company remained at 0.72x as on March 31, 2024. This is due to heavy debt repayments obligations including NCD's which are paid through business revenue and timely equity infusions. However average projected DSCR for FY25 to FY27 remains at 1.31x owing to completion of capex to the tune of Rs. 74.11 crore in FY2025 for which accruals will flow in from FY2026. This improvement is also expected due to improvements in company's operations, repayment of debt and reduced finance cost. The company also intends to refinance its 18.75% debentures which will additionally improve profitability once completed. The Interest Service Coverage Ratio (ISCR) stands at a moderate 1.24x for FY24.

In FY2024, the company's gearing ratio to TOL/TNW stood at 0.99x, and its debt-to-equity ratio was 1.50x. In January 2024, the company issued share warrants worth Rs. 91 crore, followed by an additional Rs. 40 crore worth of warrants in October 2024 and these warrants are expected to be converted within 18 months. As such 75% of the warrant's issues in Jan-24 and Oct-24 is expected in FY26 and FY27 respectively. Till date, the company has received Rs.41.46 crore from the warrant conversion.

- **Cyclical Nature of the industry**

The steel industry is affected by changes in the economy, interest rates, and seasonal demand. Not only does demand vary, but steel projects require a lot of investment and often take a long time to complete. This makes it hard for suppliers to quickly adjust to changes in demand. As a result, many steel projects may finish at the same time, causing a mismatch between supply and demand in the market.

Analytical Approach: Standalone.



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Stretched

The company has a current ratio of 2.08x in FY24 and an average cash credit utilization for 12 months ended sept 2024 remained at ~79%. The liquidity position of the company is stretched owing to Rs. 100.50 crore and Rs.106.90 crore debt repayments in FY2026 and FY2027 respectively while the full benefits of capex done in past are yet to materialise.

About the Company

Steel Exchange India Limited (hereafter referred to as 'SEIL' or 'the company') is the flagship company of the Vizag Profiles Group. Established in 1999, SEIL is a manufacturer of Thermo-mechanically treated (TMT) Bars under the brand 'SIMHADRI TMT' with products such as Simhadri TMT Fe500D, Fe550D and Fe500D CRS with sizes ranging from 8mm to 32mm, Bi. The firm is primarily engaged in the manufacturing of TMT Bars, Billets and Sponge Iron at its Integrated Steel Plant located close to Visakhapatnam, Andhra Pradesh.

The Integrated Steel plant spread across more than 400 acres of land has a total capacity of 2.25 Lakh MTPA, TMT bar equipped with fully automated continuous rolling mill, Induction Furnaces, DRI Rotary Kilns and a captive thermal power plant with 60 MW capacity. The billet capacity is enhanced to 3.62 Lakh MT. The commission is done in July 2024. The TMT bar capacity is enhanced to 3.57 Lakh MTPA. The commission is done in February 2025.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1388.33	1089.17
EBITDA	96.65	96.37
PAT	-58.85	10.89
Total Debt	318.47	401.11
Adjusted Tangible Net Worth	309.53	403.76
EBITDA Margin (%)	6.96	8.85
PAT Margin (%)	-4.22	1.00
Overall Gearing Ratio (x)*	1.03	0.99
Interest Coverage (x)	0.91	1.24

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in T-1	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Cash Credit	Long Term	10.00	IVR BB+/Stable	-	-	-
2.	Bank Guarantee	Short Term	40.00	IVR A4+			

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	10.00	IVR BB+/Stable



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Bank Guarantee	-	-	-	-	40.00	IVR A4+
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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Steel-Exchange-India-25mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.