

Dina Iron & Steel Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	29.15 (Reduced from 31.37)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the long-term bank facilities of Dina Iron & Steel Limited (DISL) takes into account its profitability being susceptible to volatility in the prices of raw materials, moderate scale of operation albeit improvement in margins, satisfactory capital structure and debt coverage indicators and cyclical nature of the steel industry. The ratings, however, continues to derive strength from long-standing experience of the promoters, partially integrated operation, diversified supplier and customer base and favourable location of the plant. The rating also takes into consideration the successful launch of company's own TMT brand and discontinuation of agreement with its principal Kamdhenu Metallic Industries Ltd (KMIL) in FY24. Furthermore, CARE Ratings Limited (CARE Ratings) has withdrawn the ratings assigned to two of the term loan facilities sanctioned to the company on receipt of No dues certificate from the lender.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations as marked by total operating income of above Rs.275 crores on sustained basis.
- Increase in profitability margins as marked by PBILDT and PAT margins of above 4.00% and 1.50% respectively on sustained basis.

Negative factors

- Deterioration in the capital structure as marked by overall gearing ratio above 2.00x on a sustained basis.
- Decline in coverage indicators as marked by interest coverage ratio below 1.50x and total debt to GCA of above 10.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the ability of the company to sustain its operating performance and profitability levels while continuing to benefit from the experience of its promoters and established market reputation.

Detailed description of key rating drivers:

Key weaknesses

Profitability susceptible to volatility in raw material prices: The basic raw material for DISL is sponge iron, the prices of which are volatile in nature. The raw-material consumption accounted for roughly 80% of total cost of sales in FY24. Accordingly, the profitability of DISL is susceptible to volatility in the prices of its raw materials as it is one of the major cost drivers of the company. DISL procures its key raw materials like sponge iron and pig iron from suppliers spread across nearby areas and the purchase are made either in cash or at most on credit period of 2-5 days.

Moderate scale of operation, albeit improvement in margins: DISL is a relatively small player, with an installed capacity of 60,000 MTPA for Mild Steels Billets, 108,000 MTPA for TMT Bars & Wires, in comparison to other players operating in this industry. The scale of operations has moderated from Rs. 225.20 crore in FY23 to Rs. 166.65 crore in FY24 majorly on account of gestation period for setting up its new brand in the market, along with severe volatility in TMT prices and demand in the market during the year. The brand is gradually being accepted in the market and the revenues and volumes are expected to improve in the medium term. The profitability margins have increased in FY24 with PBILDT margin of 3.80% in FY24 (2.69% in FY23) and PAT margin of 1.37% in FY24 (0.98% in FY23). The PBILDT margins have improved as the company launched its products under brand name "Vijay TMT" which entails cost savings on royalty fees to principal brand owner leading to lower overall operating costs.

Satisfactory capital structure and debt coverage indicators: The overall gearing of the company improved to 0.85x as on March 31, 2024 as against 1.51x as on March 31, 2023. It improved on account of gradual repayment of long term debt along

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

with lower working capital utilisation. Consequently TD/GCA improved to 5.90x as on March 31, 2024 as against 10.14x as on March 31, 2023.

Cyclicality associated with the steel industry: 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 impact the responsiveness of supply side to demand movements. Furthermore, the producers of finished steel & related products like DISL are essentially price takers in the market (i.e. their fortune depends upon the construction industry), which directly expose their cash flows and profitability to the volatility of the end user industry.

Key strengths

Successful Launch of own TMT brand: DISL discontinued its royalty-based agreement with Kamdhenu group from April, 2023 and started selling its products under brand name "Vijay TMT". Previously, DISL used to sell their products under the brand name of Kamdhenu group and was restricted to sell its products only in state of Bihar. With its own brand DISL can now sell its products in market of UP and North based on demand. The company has sold around 20% of its products in UP in FY24 and the rest in Bihar. The company has faced challenges initially for convincing the distribution channel and customer base. However, with focus on marketing and distribution channel it was normalised and DISL is expected to maintain the TOI and margins in FY25.

Experienced promoters with satisfactory track record of operations: DISL is managed by Mr. Sanjay Kumar Bhartiya (Promoter) with adequate support from Mr. Prashant Kumar Bhartiya, (brother of Mr. Sanjay Kumar Bhartiya). The company started its operation in 1999 and accordingly has a track record of more than two decades. Mr. Sanjay Kumar Bhartiya, aged 50 years, the promoter of the company, has been associated with Iron and Steel Industry for about 3 decades.

Partially integrated operation and satisfactory Capacity Utilization (CU): DISL has a partial integrated method for manufacturing of TMT bars and wire rods by captive manufacturing of billets rather than procuring it from market leading to reduction of operating cost and increase its profitability. The overall capacity utilisation stood at ~30.97% in FY24 (P.Y.38%). The capacity utilization is expected to improve in near to midterm with the expected growth in scale of operations.

Diversified supplier and customer base: DISL purchases its raw material sponge iron and pig iron from a diversified base of suppliers. A single supplier accounted for about less than 27% of total purchases in FY24 (FY23 less than 17%). On the other hand, the customer base is also well diversified, with each single customer generating less than 13% of revenue in FY24 (FY23: less than 10%).

Favourable locational advantage: The plant location is favourable in terms of readily availability of raw materials, like sponge iron, pig iron etc. Since the states like Bihar, Jharkhand and Odisha are enriched with iron ore, the steel industry has been flourishing in the region which ensures the abundant supply of aforesaid raw materials in the vicinity resulting in cheaper transportation cost. In addition, densely populated area like Patna ensures the easy availability of skilled labour to the company at reasonable wages.

Liquidity: Adequate

DISL generated GCA of Rs 3.77 crore against debt servicing obligation of Rs 2.10 crores during FY24. The CC limit is also moderately utilised at a level of 45.14% for last 12 months ending July, 2024. The company has debt repayment obligation of Rs. 0.59 crore in FY25 against which it is expected to generate sufficient cash accruals.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Dina Iron & Steel Ltd. (DISL), promoted by Bhartiya family of Patna, was incorporated in July 1992 as JM Dina Ispat Ltd. (JMDIL) to set up a manufacturing unit for iron and steel products. The company has setup its manufacturing facility (Rolling Mill) at Didarganj in Patna with present installed capacity of 60,000 MTPA for Mild Steels Billets, 108,000 MTPA for TMT Bars & Wires. DISL uses billets mainly for captive purpose for manufacturing of TMT bars and wires. The day-to-day affairs of the company are looked after by Mr. Sanjay Kumar Bhartiya with adequate support from his brother Mr. Prashant Kumar Bhartiya, and a team of experienced professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	225.20	166.65
PBILDT	6.05	6.33
PAT	2.20	2.29
Overall gearing (times)	1.51	0.85
Interest coverage (times)	2.45	2.52

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	1.50	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	February 2028	2.65	CARE BB+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Sep-23)	1)CARE BB+; Stable (04-Aug-22)	1)CARE BB+; Stable (06-Oct-21)
2	Fund-based - LT-Term Loan	LT	2.65	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Sep-23)	1)CARE BB+; Stable (04-Aug-22)	1)CARE BB+; Stable (06-Oct-21)
3	Fund-based - LT-Cash Credit	LT	1.50	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Sep-23)	1)CARE BB+; Stable (04-Aug-22)	1)CARE BB+; Stable (06-Oct-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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