

## Bhagyalaxmi Steeltech Private Limited

November 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	66.71	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Bhagyalaxmi Steeltech Private Limited (BSPL) to monitor the rating vide e-mail communications dated August 05, 2024, August 12, 2024, August 22, 2024, August 28, 2024, September 03, 2024, September 09, 2024, September 16, 2024, November 07, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on BSPL's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The rating has been revised on account of non-availability of requisite information to conduct the review. The rating assigned to the bank facilities of Bhagyalaxmi Steeltech Private Limited remain constrained on account of its thin profitability inherent to trading nature of operations, highly leveraged capital structure along with weak debt coverage indicators, stretched liquidity, susceptibility of profitability to price fluctuation of steel products and presence in a competitive, fragmented, and cyclical steel industry.

The rating however derives strength from BSPL's experienced promoters, established relationship with suppliers and its moderate scale of operations.

**Analytical approach:** Standalone

### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the company shall continue to benefit from the experience of its promoters and established relationship with its suppliers.

### Detailed description of key rating drivers:

At the time of last rating on October 06, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key weaknesses

##### Thin profitability margin inherent to trading nature of operations

BSPL was incorporated in 2018 to undertake trading of steel products such as mild steel bar, stainless steel plate and mild steel plate. While its scale of operations improved significantly over the past 3 years ended FY24, PBIDLT margin remained thin, and range bound between 1.70% and 2.20% owing to trading nature of operations with no value addition. In line with this, PAT margin also remained thin in the range of 0.50% to 1.00%.

##### Highly leveraged capital structure and modest debt coverage indicators

BSPL's capital structure marked by overall gearing was highly leveraged at 3.88x as on March 31, 2024. This was owing to high reliance on debt for its working capital requirement and a modest net worth base of Rs.20.97 crore as on FY24 end. The debt coverage indicators marked by PBILDT interest coverage and TD/ GCA stood modest at 1.69x and 31.03x respectively in FY24.

##### Susceptibility of profitability to steel price fluctuation

BSPL is engaged in trading of steel products. Steel price is volatile in nature and is governed by international metal prices and quality of scrap. Cost of materials consumed constituted ~95% of BSPL's total cost, thus exposing the company to volatility in

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

steel prices. Furthermore, players in trading business have limited bargaining power due to presence of large number of players. Hence, profitability remains susceptible upon the ability of the players to pass-on any volatility in price to the customers amongst high degree of competition.

### **Presence in a cyclical, fragmented and competitive steel industry**

BSPL operates in a highly cyclical steel industry, fortunes of which are dependent on end-use industries like construction and infrastructure. Demand for steel products is highly correlated to these sectors. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. Further, steel trading industry is competitive and fragmented in nature with very low entry barriers and presence of large number of unorganized players resulting in intense competition.

### **Key strengths**

#### **Experienced promoter in steel trading industry**

BSPL is promoted by Mr. Hanumanaram Vishnoi along with other family members. He has industry experience of over 13 years in the steel industry.

#### **Established relationship with key suppliers**

The company mainly procures products from Jindal Stainless Limited (JSL) and has also entered into a Memorandum of Understanding (MoU) agreement for non-exclusively dealing in Stainless Steel products of JSL. BSPL has been dealing with JSL since its inception and hence has a good track record of working with JSL. BSPL presently has 2 warehouses wherein it maintains inventory.

#### **Moderate scale of operations**

BSPL's total operating income (TOI) largely remained stable and stood at Rs. 429.85 crore in FY24 as against Rs.437.41 crores in FY23.

### **Applicable criteria**

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

[Iron & Steel](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Metals & Minerals Trading	Trading - Metals

Ahmedabad based BSPL was incorporated in June 2018. The company is involved in trading of mild and stainless-steel products like bars, plates, sheets, and channels. The company is promoted by Mr. Hanumanaram Vishnoi, who has industry experience of over 13 years. Prior to BSPL, he promoted a proprietorship firm, M/s Bhagyalaxmi Steel, which operated in the same line of business since 2009 and was subsequently merged into BSPL in 2019.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	437.41	429.85
PBILDT	7.07	9.52
PAT	2.25	2.34
Overall gearing (times)	3.26	3.88
Interest coverage (times)	1.92	1.69

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		-	-	-	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	35.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	10-11-2026	1.71	CARE BB-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### 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	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (06-Oct-23)	-	-
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	35.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (06-Oct-23)	-	-
3	Fund-based - LT-Working capital Term Loan	LT	1.71	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (06-Oct-23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Working capital 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

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754-3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	<b>Analytical Contacts</b>  Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a>  Anuja Parikh Associate Director <b>CARE Ratings Limited</b> Phone: 079-4026 5616 E-mail: <a href="mailto:anuja.parikh@careedge.in">anuja.parikh@careedge.in</a>  Ojasvi Mohta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:ojasvi.mohta@careedge.in">ojasvi.mohta@careedge.in</a>
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