

## International Loha Bhandar Private Limited

November 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	85.50 (Enhanced from 73.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	15.00	CARE A3	Assigned
Short Term Bank Facilities	19.50	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned/reaffirmed to the bank facilities of International Loha Bhandar Private Limited (ILBPL) continue to derive strength from the experience and resourcefulness of promoters coupled with authorised distributorship of Tata Steel Limited (TSL) and diversified clientele. Furthermore, the rating also continues to draw strengths from moderate scale of operations and profitability along with moderate solvency position and efficient working capital management.

However, the rating strengths are constraint by inherent risk associated with the trading business and low profitability margins, highly competitive and cyclical nature of industry, commodity Price fluctuation risk and limited geographical presence.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations beyond Rs 1000 crores.
- Improvement in PBILDT margins to above 1.75% on sustained basis

#### Negative factors

- Increase in working capital cycle beyond 90 days.
- Deterioration in the solvency position with overall gearing of above 2.5x owing to increased working capital dependence.

### Analytical approach: Standalone

#### Outlook: Stable

The "Stable" outlook reflects CARE Ratings' opinion that the company would continue to benefit from its experienced promoters coupled with authorised distributorship of Tata Steel Limited (TSL).

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced and resourceful promoters:

The company is promoted by Mr. Dharmender Goel & Mr. Rohit Goel who has associated with the company since inception, though Mr. Rohit Goel has resigned from the directorship of company during FY24. The business is also supported by Mr. Sarthak Goel who has joined in January 2022. The directors of the company are ably supported by a well-qualified team of professionals. Furthermore, the promoters of the company are resourceful and have extended continuous financial support in the past by infusing additional funds in the form of unsecured loans to fund various business requirements of the company. The unsecured loans stood at Rs.29.21 crore, as on March 31, 2024, out of which Rs. 28.59 crores were subordinated to bank loan.

##### Distributorship of Tata Steel Limited and diversified clientele:

ILBPL purchases products from renowned steel manufacturer TATA Steel Limited (TSL) having MOU for procurement of 1,50,000 MT per annum. ILBPL has its presence in two districts i.e., Jaipur (Rajasthan) and Faridabad (Haryana) and they are an exclusive & authorised dealership of TSL for these 2 districts, which provides stability in procurement. TSL contributes around 90% of the total purchases of ILBPL. The company procures steel from TSL on an advance payment basis with the prices being fixed monthly. ILBPL deals with multiple products under its umbrella viz. HR Coils/Sheets, CR Coils/Sheets, Structural Steel, and other related products as well. The company has an established network of clients comprising wholesalers & traders (~50%) and manufacturing entities (~50%) having fairly diversified client profiles.

<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.

**Moderate scale of operations and profitability:**

The total income of ILBPL continues to remain moderate and remains in similar line during FY24 (Audited, refers to the period of April 01 to March 31) at Rs. 772.10 crore against Rs. 760.63 crore in FY23 (Audited, refers to the period of April 01 to March 31). Furthermore, during 5MFY25 (Unaudited, refers to the period of April 01 to August 31), the company has already booked revenue from operations of Rs. ~300.00 crores. Although, there has been improvement in quantity wise sales during FY24, however, due to decline in steel prices sales realisation has been reduced leading to scale of operations in similar line. The improvement in volume is majorly supported by increase in MOU with sole supplier Tata Steel Limited (CARE AA+; Stable reaffirmed on October 15, 2024) to supply 1,50,000 MT per annum.

The profitability of the company also continues to remain moderate as reflected PBILDT and PAT margins of 1.54% and 0.53% respectively, in FY24 as compared to 1.49% and 0.48% respectively, in FY23. Further, due to improved gross profitability per tonne company's cash profitability has been improved to Rs 4.64 crores in FY24 as compared to Rs 4.23 crores in FY23.

**Moderate solvency position:**

The capital structure of the company continues to remain moderate as on March 31, 2024, on a year-on-year basis, as reflected by overall gearing ratios of 0.68x as on March 31, 2024, compared to 0.72x as on March 31, 2023. The slight improvement in FY24 was on account of accretion of profits in net worth followed by increased in subordination of unsecured loans by Rs 1.08 crores as compared to preceding financial year thereby leading to subordinated unsecured loans of Rs. 28.59 crores as at March 31, 2024, from Rs. 27.51 crores as at March 31, 2023. The interest coverage ratio of the company also remained moderate at 1.98 times for FY24 as compared to 1.88 times for FY23.

**Efficient working capital management:**

The operating cycle of the company stood moderate at 39 days (PY: 39 days) as on March 31, 2024, which remains in similar line as compared to operating cycle as at March 31, 2023. The company allows lower credit period to its buyers having average collection period of around 21 days whereas they keep inventory of around 22 days on an average.

On the supplier side company don't gets any credit period from Tata Steels Limited and procurement are done on advance payment basis. Owing to efficient working capital management the working capital utilisation also remains low as reflected by fund-based limits utilisation of ~18% during last 12 months ending September 2024.

**Key weaknesses****Inherent risk associated with the trading business and low profitability margins:**

The company is exposed to the risks associated with the trading nature of business like inherently low profitability margins, availability of the traded commodity in desired quantity and quality, etc. The company is also exposed to the competition in steel trading business due to low entry barriers. The PBILDT and PAT margins remained low at 1.54% and 0.53%, respectively, during FY24 (Audited; refers to the period of April 01 to March 31) against 1.49% and 0.48% in FY23 (Audited; refers to the period of April 01 to March 31).

**Highly competitive and cyclical nature of industry:**

The steel industry is highly competitive due to presence of various organized and unorganized players and limited product diversity due to commodity nature of products. Although over the years, industry has become more organized with the share of unorganized players reducing, but margins continue to be under pressure due to fragmentation of the industry. Also, the steel industry is sensitive to shifting business cycles including changes in general economy, interest rates and seasonal changes in demand and supply conditions in market.

**Limited geographical presence:**

The company has a confined client base spanning across Haryana & Rajasthan. The clientele of the company is widely spread across these two states. The lower diversification in the client base increases the risk associated with particular geographical location and prone the company to a slowdown in a particular state.

**Commodity Price fluctuation risk.**

Prices of steel products are volatile in nature and are driven by the demand supply scenario prevailing on a particular day and also by the global prices. Further, the company is experiencing high fluctuation in the prices of steel, which is affecting the profitability margins of the company, which are on a lower side due to the trading nature of operations. Further, company had imported some proportion of steel during FY24 (Last in October 2023), there is lead time of almost 3 months in imports which exposes them to price fluctuation risk. However, since government of India has increased import duty on steel, owing to which and higher lead time, company has stopped imports as with increased custom duty profitability margin on steel has been severely impacted.

### **Liquidity: Adequate**

The company has earned Gross Cash Accruals (GCA) of Rs. 4.64 crores during FY24 and is projecting to generate GCA in similar line for FY25 & FY26 as well against nil scheduled repayment obligations as company don't have any term liabilities apart from unsecured loans from related parties of Rs. 29.21 crores of which Rs. 28.59 crores are subordinated to bank loan. The current and quick ratio stood at a moderate level of 1.91x and 1.10x, as on March 31, 2024, as compared with 2.14x and 1.07x as on March 31, 2023. Moreover, working capital utilisation remains comparatively low at around ~18% during last 12 months ending September 2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

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[Short Term Instruments](#)

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

#### **Industry classification**

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

Established in 2006 in Faridabad, Haryana, ILBPL trades in flat steel products such as hot-rolled and cold-rolled coils, sheets, and plates. The company is promoted by Mr Dharmender Goel and Mr Rohit Goel. Promoters of the company has over all experience of around more than 16 years in this industry. The company is an authorized dealer of Tata Steel Ltd. (TSL). ILBPL deals with multiple products including Hot Rolled Coils/Sheets, Cold Rolled Coils/Sheets, Structural Steel and related products as well.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	August 31, 2024 (UA)
Total operating income	760.63	772.10	300.00
PBILDT	11.35	11.92	NA
PAT	3.67	4.11	NA
Overall gearing (times)	0.72	0.68	NA
Interest coverage (times)	1.88	1.98	NA

A: Audited UA: Unaudited; NA: Not Available; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	85.50	CARE BBB-; Stable / CARE A3
Fund-based - ST-Purchase Invoice Financing		-	-	-	19.50	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	15.00	CARE A3

**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/ ST-Working Capital Limits	LT/ST	85.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (04-Oct-23)	1)CARE BBB-; Stable / CARE A3 (13-Sep-22)	-
2	Fund-based - ST-Purchase Invoice Financing	ST	19.50	CARE A3	-	1)CARE A3 (04-Oct-23)	-	-
3	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A3				

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/ ST-Working Capital Limits	Simple
2	Fund-based - ST-Purchase Invoice Financing	Simple
3	Non-fund-based - ST-Letter of credit	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.

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### About us:

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