

Sree Tirumala Steel Enterprises

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	57.00	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	5.00	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in ratings to the bank facilities of Sree Tirumala Steel Enterprises (STSE) is due to thin profitability margins as the entity is into the trading nature of business, the leveraged capital structure with relatively high debt level, working capital intensive nature of business, the constitution of the entity being partnership firm limiting the financial flexibility, cyclical nature of steel industry, intense competition from unorganized and organized players. The rating, however, derives strength from growth in the scale of operations during FY24 [FY refers to the period April 01 to March 31], a long track record and vast experience of promoters in the industry and an established relationship with renowned steel players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained significant growth in the scale of operations, along with continuous improvement in the PBILDT margin.
- Improvement in leverage with an overall gearing ratio below 3.00x on a sustained basis.

Negative factors

- Operating cycle exceeding 80 days.
- Any delays in collection resulting a mismatch in cash flow and strain on liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters in the industry.

Detailed description of key rating drivers:

Key weaknesses

Trading nature of business resulting in thin margins: The profitability margins of the firm are very thin due to limited value addition in the trading business. The firm purchases steel and iron products from suppliers and directly sells to its customers without any value addition. As a result, the PBILDT margin of the firm is very thin marking 1.71% during FY24 (1.70% during FY23). The PAT margin stood at 0.76% during FY24 (0.75% during FY23). At absolute levels, the PBILDT improved to Rs.12.18 crore in FY24 as against Rs. 10.91 crore in FY23. Also, the PAT level slightly increased in FY24 at Rs. 5.41 crore as against Rs.4.85 crore in FY23.

Leveraged albeit improved capital structure and weak debt coverage indicators: The debt profile of the firm primarily comprises of working capital borrowings, term loans, and vehicle loans. The capital structure of the firm represented by the overall gearing remains leveraged and stood high at 3.76x as of March 31, 2024, from 3.80x as of March 31, 2023. The entity has availed of fresh MSME loans and Vehicle loans and the reliance on working capital borrowings has also increased taking the total debt level to Rs.161.31 crore as of March 31, 2024. During FY24, the company started to reduce its reliance on channel financing facilities. Other than the gearing, the interest coverage ratio of the entity is satisfactory at 1.10x as of March 31, 2024 (PY: 1.02x).

Working capital-intensive nature of the business: Since the firm is into trading business its reliance on working capital borrowing is high. Generally, the firm makes an advance payment to RINL and SAIL while purchasing the products and takes a credit period of one to two weeks to pay other suppliers. The average inventory period of the firm is moderate at 15 days during FY24 (19 days during FY23). The firm also gives a credit period of around 10 – 15 days to its customers to maintain a long-standing relationship with them. However, due to an increase in revenue covering new areas on having distributorship for the

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

entire Andhra Pradesh, debtor's realisation was lower in FY24, increasing receivables. The working capital cycle remained stable at 64 in FY24 (PY:64 days).

Constitution of the entity being a partnership firm: Sree Tirumala Steel Enterprises being a partnership firm has the inherent risk of the possibility of withdrawal of the partners' capital and the firm being dissolved upon the demise/retirement/insolvency of the partner. Also, there exists limited financial flexibility with the nature of the Constitution. In the last year, the entity saw infusion of the capital amount of Rs. 0.07 crore and the overall paid-up capital of the entity stood at Rs.13.25 crore.

The cyclical nature of the steel industry coupled with intense competition from the unorganised sector: Prospects of the steel industry are strongly co-related to economic cycles. Steel demand is sensitive to trends in particular industries like automotive, construction, infrastructure, and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates inflation rates, etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand. The Indian steel industry is highly competitive due to low entry barriers for new players and is also characterized by a high degree of fragmentation due to the presence of a larger number of unorganized players.

Key strengths

Growth in the scale of operations during FY24:

Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 19.59% in last 5 years ended FY24. TOI grew by 11% to Rs.713.9 crore in FY24 over FY23 on account of improved demand and improvement in sales realisation. It has also reported TOI of Rs.461.38 crore in 8MFY25 as compared to Rs.550 crore in 10MFY24. It has modest net worth base, which stood at Rs.42.9 crore as on March 31, 2024. Scale of operations remained moderate, which limits the entity's financial flexibility and restricts the benefits from economies of scale. Further, competition in the industry will continue to restrict future growth prospects.

Experienced group and established track records in the steel and iron industry:

Sree Tirumala Steel Enterprises belongs to the Sree Tirumala group, which has had a presence in the steel and iron industry since 1962. Mr. Grandhi Appala Raju (late) was the founder of the group and later in his succession, the group is managed by his son Mr. Grandhi Ramjee along with his family members. Sree Tirumala Steel Enterprises was incorporated in the year 1998 as a partnership firm, and Mr G. Ramjee and his wife Mrs G Anupama are the partners of the firm. Mr. G Ramjee, the managing partner has more than two decades of experience working in the steel and iron industry. The group company named Sree Tirumala Steel Rolling Mills is into manufacturing TMT bars, MS Squares, rounds, and angles.

Long-standing relationship with suppliers:

With a long-standing presence in the trading business, the partners have established good relationships with their suppliers. The firm majorly purchases steel and iron products from renowned suppliers Steel Authority of India Limited (SAIL, rated CARE AA; Stable/CARE A1+ dated October 08, 2024), Rashtriya Ispat Nigam Limited and Vizag Profiles Group since its inception and is maintaining a good relationship with them ensuring regular supply of products whenever required. The firm is an authorized distributor for SAIL and MOU customers for RINL. The firm also purchases products from other parties based on the requirements.

Medium-term lease rental visibility with in-built escalation and lock-in period clause:

The firm has a school building of 1,03,800 sq. ft. consisting of Ground plus 4 floors on its land situated at Vellanki Village, Anandapuram Mandal, Vizag (AP). The said premises have been leased out to Narayana Educational Society for 10 years with initial 9 years being a lock-in period. The lease agreement shall be renewed further on mutual terms and agreement. The firm had availed an LRD loan from IndusInd Bank against the rentals from the building. The total lease rent received in FY24 was Rs.2.32 crore. The lease rentals will be escalated by 10% every two years. The LRD loan is fully repaid as of March 31, 2023. The lease agreement was signed in the year 2021 and it has still 6 years left for the agreement to expire.

Liquidity: Stretched

The liquidity position of the entity is stretched marked by an average working capital utilization of 92.60% for the 12 months ending December 31, 2024. The utilisation of the working capital remained moderately high due to a rise in the scale of operations and slower realisation of the receivables. The entity has reported a cash and bank balance of Rs.3.59 crore as of March 31, 2024, excluding fixed deposits of Rs.15.15 crore

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](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Sree Tirumala Steel Enterprises is a partnership firm and belongs to the Sree Tirumala Group. The firm was incorporated in the year 1998 by G. Ramjee and his family members and is engaged in the trading of steel and iron products such as re-bars, channels, rounds, beams, billets, MS Sheets, MS Angles, HR sheets and pig iron.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	643.73	713.90	~650.00
PBILDT	10.91	12.18	N.A
PAT	4.85	5.41	N.A
Overall gearing (times)	3.80	3.76	N.A
Interest coverage (times)	1.02	1.10	N.A

A: Audited UA: Unaudited; NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has placed the rating for the bank facilities of Sree Tirumala Steel Enterprises under 'CRISIL B+; Stable; INC/ CRISIL A4; INC' vide PR dated January 17, 2024, due to the absence of requisite information from the company.

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-Cash Credit		-	-	-	57.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE BB; Stable / CARE A4

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	57.00	CARE BB; Stable	-	1)CARE BB; Stable (12-Feb-24) 2)CARE BB; Stable (09-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (29-Mar-23)	1)CARE BB; Stable (17-Mar-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (12-Feb-24) 2)CARE BB; Stable (09-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (29-Mar-23)	1)CARE BB; Stable (17-Mar-22)

*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	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not Applicable

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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