

Shri Mahavir Iron & Steel Private Limited

March 06, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|------------------|--|---|
| Long Term Bank Facilities | 63.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | Rating 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 Shri Mahavir Iron & Steel Private Limited to monitor the rating(s) vide e-mail communications dated February 06, 2025, February 11, 2025, February 17, 2025 and February 21, 2025 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further Shri Mahavir Iron & Steel Private Limited has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. The rating of Shri Mahavir Iron & Steel Private Limited'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 rating(s).

The ratings have been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the company, which is critical for assessing the credit risk profile of the company. The rating remains constrained by low profitability margin, leveraged capital structure, highly competitive and fragmented industry, susceptibility to raw material price volatility, working capital intensive nature of business and cyclicity associated with iron and steel industry. However, the ratings derive strength from its experienced promoters and long track record of operations, strategic location of plant and ramp up in scale of operations post setting up of TMT bar manufacturing unit.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on February 28, 2024, the following were the rating strengths and weaknesses.

Key weaknesses

Highly competitive and fragmented nature of industry: The spectrum of the steel industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India owing to relatively low entry barriers. Hence, the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

Susceptibility to raw material price volatility: The major raw material [i.e., Billets] forms the largest component of total cost of sales. Since the company has no backward integration for its raw material (billet) requirement and in absence of any long-term agreement with the suppliers, the raw materials are directly sourced from the domestic market through broker and the prices of the same are volatile in nature. Hence, the company's profitability is susceptible to fluctuation in raw-material prices.

Leveraged capital structure: Overall gearing ratio has marginally moderated to 3.98x as on Mar 31, 2024 as against 3.86x as on Mar 31, 2023 due to increase in unsecured loans and higher working capital limit utilization for operating the new manufacturing unit of TMT bar in Raipur, Chhattisgarh.

Working capital intensive nature of operations: The operation of the company is working capital intensive in view of adequate inventory to be kept and credit period to be given to customers to gain market share. This leads to higher working capital requirement. The working capital requirement of the SMISPL will be mainly financed through bank borrowings and creditors.

Cyclicity associated with Iron & Steel industry: Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure and capital goods are heavily dependent on the state of the economy. Fall in demand

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

in any of these sectors directly impacts the demand of steel products. 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. SMISPL's products being steel related, it is subjected to the risks associated with the industry like cyclical and price volatility.

Key strengths

Experienced promoters and long track record of operations: The company is promoted by Chhattisgarh based Patel Family. The promoter includes Sunil Kumar Patel and Devram Patel having experience in same line of business for more than 10 years through its Angle manufacturing business.

Strategic location of Plant: SMISPL'S has plant in Raipur, Chhattisgarh. The current plant for Angle and TMT bar is covering an area of approx. 8 acres. The facility is in proximity to source of raw material due to which they can easily procure their raw material from vendor by incurring low transportation cost. As there are number of companies operating in this region producing raw materials for iron & steel industry, availability of raw material is not an issue.

Rampup in scale of operations post setting up of TMT bar manufacturing unit albeit low profitability margins: After setting up of manufacturing unit of TMT bar in February 2023, SMISPL has been able to ramp up its operations to Rs. 414.97 Crore in FY24 from Rs. 96.67 crore as on FY23. Although PBILDT margin has improved from 1.80% in FY23 to 2.69% in FY24 due to better spread of fixed overhead, it continues to remain low.

Applicable criteria

[Definition of Default](#)

[Issuer Non-Cooperation](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Iron & Steel](#)

About the company and industry

Industry classification

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

Incorporated in April 2010, Shree Mahavir Iron & Steel Private Limited (SMISPL) came into operation by acquiring Angle manufacturing business from Sunvijay Rolling Mills Private Limited in 2011. The company is promoted by Chhattisgarh based Patel Family. The promoter includes Sunil Kumar Patel and Devram Patel having experience in same line of business for more than 10 years through its Angle manufacturing business. In February 2023 SMISPL has setup a manufacturing unit of TMT bar in Raipur, Chhattisgarh under a brand name "Gajapati TMT" with a capacity of 1,50,000 MTPA at a project cost of Rs.47.38 crore funded through debt of Rs. 30.00 crore and remaining through equity/unsecured loan.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income | 96.68 | 414.97 |
| PBILDT | 1.74 | 11.15 |
| PAT | 0.54 | 1.50 |
| Overall gearing (times) | 3.86 | 3.98 |
| Interest coverage (times) | 2.36 | 2.18 |

A: Audited; 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-Cash Credit | | - | - | - | 35.00 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | March 2030 | 28.00 | 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 | 35.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable (28-Feb-24) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (21-Dec-23) | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (17-Oct-22) | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (11-Aug-21) |
| 2 | Fund-based - LT-Term Loan | LT | 28.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable (28-Feb-24) | - | - |

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

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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