

Shreejee Structural Steel Private Limited

April 02, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|--------------------------------|-----------------------------|---|
| Long-term / Short-term bank facilities | 42.15 (Enhanced from 27.00) | CARE BBB-; Stable / CARE A3 | Reaffirmed; Outlook revised from Negative |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings and revision in outlook to Stable from Negative reflects the steady performance of Shreejee Structural Steel Private Limited (SSSPL) in FY24 (refers to April 01 to March 31) and 9M FY25 despite headwinds in the steel industry in the form of muted prices and demand and CARE Ratings Limited's (CARE Ratings) expectation of sustained performance in the coming years aided by its established market position and expected recovery in demand for its traded products. While SSSPL's total operating income (TOI) remained flat at ₹424 crore FY24 with the benefit of better volumes largely nullified by decline in realisations, this grew by ~30% year-over-year (y-o-y) to ₹426 crore for 9M FY25. Its profitability continues to remain thin yet stable with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 3-3.5% in FY24 and 9MFY25. The company benefits from its off-take memorandum of understanding (MoU) with Steel Authority of India (SAIL; rated CARE AA; Stable/ CARE A1+)) and Rastriya Ispat Nigam Limited (RINL) which provides better pricing. With the expected improvement in domestic steel demand and prices, the company is likely to maintain the growth trajectory in terms of scale of operations with stable profitability in medium term.

Ratings continue to favourably factor in the adequate financial risk profile with an overall gearing and total outside liability to total net worth (TOL/TNW) of 1.12x and 1.31x, respectively, as on March 31, 2024. Ratings also factor in extensive experience of promoters in steel trading industry, established relationships with its reputed key suppliers and diversified clientele. However, rating strengths are tempered by thin and volatile profit margins inherent to trading business, susceptibility of profit margins to price volatility of key traded materials as SSSPL is required to maintain sizeable inventory of steep products. Its operations remain working capital intensive in the absence of credit period from its key suppliers and stock-and-sell model. While the company maintains its collection period between 20-25 days owing to long-term relationship with its customers, stretch in the inventory/collection days impacting the company's working capital cycle and liquidity will be key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in TOI of above ₹700 crore with maintaining PBILDT margins of above 5%.
- Improvement in the overall gearing to less than 1.00x on a sustained basis.

Negative factors

- Decline in operating margin below 3% on a sustained basis.
- Decline in scale of operations with TOI below ₹200 crore on a sustained basis.
- Deterioration in capital structure with overall gearing exceeding 1.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The outlook has been revised from negative to stable considering CARE Ratings' expectations that SSSPL will continue to maintain its financial risk profile considering sustenance in the company's performance supported by experience of promoters despite ongoing challenges in the industry.

Detailed description of key rating drivers:

Key strengths

Authorised distributorships from SAIL and RINL

SSSPL has a diversified product portfolio and is an authorised distributor for SAIL and RINL at PAN-India level. The company procures 10-20 type of steel products such as TMT bars, plates and HR coil, among others from these entities where SSSPL has

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

signed fixed off-take MoU with SAIL and RINL for off-take of 45000 metric tonne per annum (MTPA) and 3500MTPA, respectively, steel products. SAIL supplies ~75-80% products sold by SSSPL followed by RINL. The parties provide monthly/quarterly discounts to SSSPL and revise prices monthly for all products. Hence, SSSPL passes on increase/decrease in pricing to its customers.

Adequate financial risk profile

SSSPL's capital structure is comfortable with a marginal improvement in overall gearing and TOL/TNW of 1.12x and 1.26x as on March 31, 2024 (PY: 1.44x and 1.56x). The company's debt profile majorly comprises of working capital borrowings required for funding its inventory purchase in the absence of credit period from suppliers and its stock-and-sell model. The debt coverage indicators are adequate with PBILDT interest coverage of 2.28x and 3.36x in FY24 and 9MFY25, respectively (PY: 3.10x). Maintenance of the financial risk profile remains key monitorable.

Experienced promoters in steel trading business, long-term relations with key suppliers and customers

SSSPL has a moderate track record of over a decade of operations in trading steel products. The promoters' experience reflects in developing and maintaining relations with reputed supplier such as SAIL and RINL. In its span of operations, the company has established its market presence with long-term client relations, having presence in Indian cities providing strong marketing connects. Chetan Chitalia, managing director, is a graduate with vast experience of three decades, and manages the company's overall management and operations. The director is assisted by qualified second level management personnel possessing requisite qualification and industry experience. Promoter's extensive experience enables SSSPL to establish strong marketing connects and operational process excellence.

Key weaknesses

Working capital intensive operations and minimum purchase obligation

SSSPL's operations are working capital intensive with considerable amount of funds blocked in inventory. The company maintains inventory level of 40-60 days for different SKUs according to market demand and customer specifications. Hence, the average inventory period continues to remain moderate at 40 days in FY24 (against 50 days in FY23). Average collection period stood at 24 days in FY24 (against 20 days in FY23) as the company extends credit period of 20-25 days to its customers. On the other hand, the creditors' period remained nil as company procures majorly from SAIL, which supplies only on advances, and others are backed by letter of credit. Hence, the operations are working capital intensive with an operating cycle of 60 days in FY24 (PY: 65 days). Consequently, SSSPL continues to have high dependence on working capital limits and this is utilised ~90% for 12-month period ending January 2025. The company's minimum purchase obligation per its MoU with SAIL and RINL could translate to inflated inventory levels in times of demand downturns, impacting its profitability.

Operations in highly competitive and fragmented operations

Steel trading is characterised by highly competitive, fragmented and cyclical business which is strongly correlated to economic cycles. Metal trading industry has low entry barriers with numerous unorganised industry players resulting in large competition. However, the company enjoys competitive advantage being authorised distributor of SAIL and RINL's products in the regions it operates in.

Profitability susceptible to fluctuations in commodity prices, economic downturn in end-user industry

Metal trading business is cyclical which is strongly correlated to economic cycles. Hence, earnings are susceptible to fluctuations in commodity prices. Being in metal trading business, SSSPL faces risks of cyclicity in the industry. Material prices procured from SAIL are revised monthly. Since the company operates in competitive industry, it may limit SSSPL's ability to pass on fluctuations to its customers. Construction sector and capex cycle are susceptible to economic downturn and may lead to muted demand for related products in such scenario.

Liquidity: Adequate

The liquidity is marked adequate considering envisaged cash accruals worth ₹7-8 crore per annum against scheduled repayments worth ₹0.56 crore per annum for FY25-FY26 period. The company's current ratio stood at 1.31x as on March 31, 2024. SSSPL's average utilisation of CC limit is moderate at 43%, however, channel financing is at 90% for the last 12 months ending January 2025. Being a trading entity, the company has no major capex plans in the near term.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[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 and supplies | Trading and distributors |

Shreejee Structural Steel Private Limited (SSSPL) was incorporated in 2012 by Chetan Chitalia and Pravin Chitalia. It is engaged in trading steel products such as structural steel (beams/joists, channels, and angles, among others), TMT bars, rods, rebars, hot-rolled coils, sheets and skelp, PM plates, boiler quality plates, and high tensile plates hot-rolled coils. The company is an authorised distributor of Steel Authority of India Limited (SAIL; rated CARE AA; Stable/CARE A1+) and Rashtriya Ispat Nigam Limited (RINL). SSSPL sells its products PAN India to majorly end-use customers. The company's registered and controlling office is at Masjid (Mumbai), and warehouse at Kalamboli (Navi Mumbai) in Maharashtra.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 10MFY25 (UA) |
|----------------------------|--------------------|--------------------|--------------|
| Total operating income | 416.44 | 424.08 | 426.93 |
| PBILDT | 11.94 | 13.51 | 13.25 |
| PAT | 6.13 | 5.74 | NA |
| Overall gearing (times) | 1.44 | 1.12 | NA |
| Interest coverage (times) | 3.10 | 2.28 | 3.36 |

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/Non-fund-based-LT/ST | - | - | - | - | 42.15 | CARE BBB-; Stable / 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/Non-fund-based-LT/ST | LT/ST | 42.15 | CARE BBB-; Stable / CARE A3 | - | 1)CARE BBB-; Negative / CARE A3 (05-Mar-24) | 1)CARE BBB-; Stable / CARE A3 (22-Feb-23) | 1)CARE BBB-; Stable / CARE A3 (28-Mar-22) |

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/Non-fund-based-LT/ST | Simple |

Annexure-5: Lender detailsTo view 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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