

Shivalay Ispat And Power Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	36.00	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Shivalay Ispat and Power Private Limited (SIPPL), CARE Ratings Limited (CARE Ratings) has combined the business and financial risk profiles of SIPPL with Real Ispat and Power Limited (RIPL), API Ispat and Powertech Private Limited (API), and Ajay Steels Private Limited (ASPL), and Real Ispat and Energy Private Limited (RIEPL; a 100% subsidiary of RIPL; combined FY25 onwards) as the entities have strong operational and financial linkages and belong to the same promoter group- 'the Real Ispat Group'. The ongoing capex in a subsidiary of RIPL has also been combined.

The ratings assigned to the bank facilities of SIPPL continue to derive comfort from the group's established track record, semi-integrated nature of operations, and the plants' strategic location. The ratings also factor in the sustained improvement in the level of integration, with consistent increase in sales volumes across product range. However, despite an increase in sales volume, more than proportionate decline sales realisations has resulted in moderation in total operating income (TOI) of the company during FY24 (refers to the period from April 01 to March 31) and 9MFY25 (refers to the period from April 01 to December 31). The ratings further derive strength from the strong capital structure, comfortable debt coverage indicators, and healthy liquidity position of the group.

The ratings also take into account the cost and time overrun in the large-scale ongoing capex being undertaken by the group for setting up a pellet plant, sponge iron plant and various other facilities for backward integration to enhance operational efficiencies. The cost and time overruns in the ongoing project, primarily due to change in scope of the project, are not expected to materially impact the capital structure and debt coverage indicators.

Ratings continue to remain constrained by the intense competition in the iron and steel industry, profitability being susceptible to volatility in the input prices, and the cyclical nature associated with the steel industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the combined scale of operations (TOI above ₹6,500 crore) with PBILDT per metric tonne (above ₹6,500/mt) and return on capital employed (ROCE; above 20%) on a sustained basis.
- Diversification of the product profile without significant impact to the capital structure.

Negative factors

- Decline in the combined scale of operations (TOI below ₹2,000 crore) or reduction in PBILDT per metric tonne (below ₹2,500/mt) on a sustained basis.
- Deterioration of combined capital structure marked with overall gearing (over 0.50x) and total debt to gross cash accruals (TD/GCA; over 2x) on a sustained basis.

Analytical approach: Combined

CARE Ratings has combined business and financial risk profile of SIPPL with RIPL, API, and ASPL for arriving at ratings of SIPPL. Also, the business and financial risk profiles of RIEPL (a 100% subsidiary of RIPL) have been combined FY25 onwards. Previously, only the capex undertaken in RIEPL was considered. However, following the commercialisation of its operations in FY25, the complete business and financial risk profile has now been considered. All these companies exhibit strong operational and financial linkages, operate within a similar line of business, and are under the common ownership of the Real group. The entities combined, and extent of consolidation is listed under **Annexure-6**.

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

Outlook: Stable

The stable outlook reflects that SIPPL is expected to sustain its strong financial risk profile amidst healthy cash flow generation from operations despite large-size ongoing capex with both time and cost overrun, which is expected to be majorly funded out of internal accruals.

Detailed description of key rating drivers:**Key strengths****Experienced promoters with long track record in the steel industry**

SIPPL was incorporated in April 2004, and was acquired by the Real Ispat group later in August 2011, which is promoted by the Raipur-based Agrawal family. The group has over two decades of experience in the steel industry. Prior to setting up of RIPL (the flagship company of the group) in 1999, the promoters were engaged in trading of steel products.

Semi-integrated operations with operational linkages among group companies

The group's manufacturing operations are semi-integrated in nature with sponge iron, captive power plant, billet and rolled products facilities present within the group. These intermediate products, namely sponge iron and billet, are captively consumed for manufacturing of TMT and wire drawings by API and RIPL, meeting ~55% and 63% of the group's total requirement for sponge and billet, respectively. The setting up of RIEPL aims at further improving backward integration of sponge iron requirement for the group. The vertical integration of operations and captive power sources among group companies result in strong operational linkages, which in turn will lead to better cost efficiency.

The plant's strategic location with established brand presence

In manufacturing steel-related products, freight cost constitutes a significant portion as large amount of bulky raw material is required to be sourced to the manufacturing site. As iron ore and coal mines are within 400 kms and 120 kms from the plants, freight cost is optimised to that extent. The plants are also well-connected through road and rail transport, facilitating easy transportation of raw materials and finished goods.

The group sells its long steel products (TMT bars and wire drawings) under the brand name of 'GK TMT', which is an established brand in central India. The group has over 200 dealers and distributors across the country for its products.

Improved capacity utilisation with increase in TMT production

As sponge iron capacity is lower than the captive requirement, it continues to be fully utilised until FY23 and FY24. However, since FY25, this utilisation has come down to almost ~90% in 9MFY25 on account of commercialisation of RIEPL. The capacity utilisation (CU) of billet, which primarily uses in-house sponge iron as one of its inputs has improved from 65% in FY23 to 78% in FY24 and moderated ~67% in 9MFY25. The CU for TMT is improving from FY20 onwards, as a result of which, the CU for TMT/wire rods improved from 74% in FY20 to 89% in FY24.

Sustenance of healthy profitability margin

On a combined level, the group's TOI moderated in FY24 despite 7% increase in sales volume, as the decline in TOI was outweighed by higher proportionate decline in sales realisation. The PBILDT margin also declined by ~₹500 per tonne in FY24 on a y-o-y basis, impacting lower per tonne realisations, compared to key raw material prices.

In 9MFY25, the TOI improved by ~5% y-o-y, due to higher sales volume across, despite lower blended realisations by ~₹6,000 per tonne against 9MFY24.

Healthy capital structure and debt coverage indicators; likely to sustain

The group's capital structure continues to remain comfortable, emanating from its low debt levels. The overall gearing improved to 0.03x as on March 31, 2024 (0.12x as on March 31, 2023), due to an interim decline in the working capital requirements, alongside adequate profit accretion to reserves. TD/GCA also improved to 0.15x as on March 31, 2024, compared to 0.51x as on March 31, 2023. Additionally, the interest coverage continued to remain strong at above 24x in FY24.

Going forward, the capital structure is not expected to be materially impacted, even with the planned capex. The company's cash reserves and strong accruals are expected to maintain healthy debt coverage indicators.

Stable demand outlook

Going forward, domestic steel demand is likely to grow in single digits, backed by various measures such as increase in government capex; infrastructure push towards seven growth engines – roads, railways, airports, ports, mass transport, waterways, and logistic infra; the Pradhan Mantri Awas Yojana (PMAY) scheme; and the Jal Jeevan Mission. Apart from these, a revival in economic activities will also support domestic steel consumption and will aid steel production in India.

Key weaknesses

Intense competition in the industry

The group is engaged in manufacturing sponge, billets, TMT bars, and wire drawings. This industry is characterised by high fragmentation, mainly due to presence of numerous unorganised players. Low level of product differentiation in the downstream steel segment further intensifies competition, leading to lower bargaining power compared to the customers.

Profitability susceptible to input price volatility

The raw materials (iron ore and coal) forms the largest cost component of the total cost of sales for these steel products. The group purchases sponge iron and billet from external sources to the extent of shortfall required for producing rolled products. They cumulatively formed ~85% of the total cost of sales in FY24 (88% in FY23). The group primarily sells rolled products including TMT in the market and consumes intermediate products, such as sponge, captively. However, basic raw materials, such as iron ore, dolomite, iron ore pellet, scrap, and pig iron, used to produce sponge, are directly sourced from the market, and their prices are volatile in nature. Hence, the group's profitability is susceptible to fluctuation in the raw material prices.

Cyclical associated with the steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users, construction, infrastructure, automobiles, and capital goods heavily depend on the state of the economy. Apart from local factors, the global demand supply situation, especially from China, is a major factor impacting steel prices and volumes. Producers of steel products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Project risk

The group is undertaking capex in RIEPL for setting up production facilities of pellet plant, sponge iron plant and other facilities as a part of backward integration for existing production facilities. The total project cost is estimated to be ₹900 crore (revised from earlier estimations of ₹550 crore), which is expected to be funded by debt of ₹300 crore (yet to be tied-up) and balance out of internal accruals/available liquidity. The project is expected to be completed by April 2026 (time overrun from earlier estimations). The group has already incurred ~₹700 crore on the project till December 31, 2024, funded entirely out of available liquidity and cash accruals within the group. However, a capex reimbursement seeking term loan of ₹200 crore has recently been sanctioned to restore further liquidity support.

Given the strong capital structure, the group has sufficient gearing headroom to undertake the project. The cost and time overrun in the ongoing project (primarily due to change in scope of the project) is not expected to materially impact the capital structure and debt coverage indicators. Higher integration would enable the company to be more competitive and withstand industry downcycle, going forward.

Liquidity: Strong

The liquidity position of the group remains strong, marked by its strong group earning emanating from GCA of ₹283 crore as on March 31, 2024, against nil term debt repayment obligation in FY25. The company have already funded a capex of ₹700 crore capex through its internal accruals. Recently, the company availed a term loan amounting to ₹200 crore towards capex reimbursement, the annual repayment for the same is envisaged to be around Rs. 40 crore. The group has a comfortable capital structure, which provides sufficient gearing head room for any incremental debt requirements for its future capex activities. The average fund-based working capital limit utilisation remains low at ~16% for trailing 12-month ending December 2024, on a combined level. The group's bank lines remain largely unutilised, to meet any incremental working capital requirements.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & mining	Ferrous metals	Iron & steel

SIPPL was incorporated in 2004 to manufacture sponge iron with an installed capacity of 90,000 MTPA and captive power plant (CPP-WHRB) of 7.5 MW at Raipur, Chhattisgarh. Later in August 2011, SIPPL was acquired by RIPL as part of backward integration plan of the Real Ispat group.

The Real Ispat Group was promoted by Chhattisgarh-based Agrawal family in 1999. RIPL is the flagship company of the group and is engaged in manufacturing and selling of long steel products under the brand name of "GK TMT". As on December 31, 2024, the group has sponge iron capacity of 5,55,000 MTPA, billet capacity of 7,68,400 MTPA, TMT capacity of 8,74,718 MTPA (inclusive of wire drawing capacity), and CPP of 66.00 MW (49.00 MW-WHRB, 17 MW-coal based) at its manufacturing facilities located at Raipur, Chhattisgarh. The group also trades in coal through Ajay Steels Private Limited, which meets the group's entire imported coal requirement.

Brief Financials (₹ crore)-combined	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	3,837	3,537	2,741
PBILDT	377	346	236
PAT	251	258	160
Overall gearing (times)	0.12	0.03	-
Interest coverage (times)	87.18	24.00	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials (₹ crore)-Standalone	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	336.19	298.67	252.78
PBILDT	90.24	70.05	37.50
PAT	68.44	56.57	35.28
Overall gearing (times)	0.02	0.01	-
Interest coverage (times)	161.81	22.24	-

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 (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		-	-	-	36.00	CARE AA-; Stable / CARE A1+

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	36.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (05-Apr-24)	1)CARE AA-; Stable / CARE A1+ (06-Apr-23)	-	1)CARE AA-; Stable / CARE A1+ (21-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 the lender wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

The entities which have been combined are as follows:

Sr No	Name of the entity	Extent of consolidation	Rationale for combining
1	Real Ispat & Power Limited	Full	Operational and financial linkages
2	API Ispat and Powertech Private Limited	Full	
3	Real Ispat and Energy Private Limited	Full	
4	Ajay Steels Private Limited	Full	

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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