

Sakthi Steel Industries Limited

April 01, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|------------------|---|---|
| Long Term Bank Facilities | 30.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 20.00 | CARE A4; ISSUER NOT COOPERATING* | Downgraded from CARE A4+ and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sakthi Steel Industries Limited to monitor the rating vide e-mail communications dated October 24, 2024 and February 24, 2025, among others 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. The rating on Sakthi Steel Industries Limited's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING/CARE A4; 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 non-availability of requisite information due to non-cooperation by Sakthi Steel Industries Limited with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

The ratings assigned to the bank facilities of Sakthi Steel Industries Limited (SSIL) are constrained by leveraged capital structure, commodity nature of business, susceptibility of margins to volatile raw material prices and cyclical nature of steel industry. The ratings, however, continue to draw strength from the vast experience and longstanding presence of the promoters in the steel Industry, increase in scale of operations, SSIL's well-established relationship with dealers and suppliers.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on April 03, 2024, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies).

Key weaknesses

Leveraged capital structure

The capital structure of the company stood leveraged with overall gearing at 0.94x and TOL/TNW at 2.86 times as on March 31, 2024. The debt coverage indicators, marked by total debt (TD)/GCA stood moderated at 5.15x as on March 31, 2024 (FY23: 4.32x). The moderation was primarily on account of the sharp increase in working capital borrowings in the wake of the increase in scale of operations.

Volatile profit margin due to commoditized nature of products

Due to commodity nature of the finished products and volatile raw material prices, profitability margins have remained volatile in the past. SSIL has manufacturing facilities to produce mild steel billets and depending upon the prevailing steel prices, also does trading of TMT bars to manage volatility in steel prices. The PBILDT margins in FY24 stood low at 0.61%. In the current year,

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

company has increased its manufacturing and sale of TMT bars after completion of the recent capex and same is expected to improve the margins going forward.

Fragmented nature of steel trading industry leading to intense competition

The steel trading industry is characterised by low-entry barriers due to the minimal capex requirements and the easy availability of technology, which has resulted in a proliferation of several small and large traders spread across the country. The widespread demand for steel coupled with government side push in infrastructure development projects, has also led to increase in the number of players in this industry. The highly fragmented nature of the industry has resulted in intense competition within the industry, resulting in very thin profit margins.

Key strengths

Experience of the promoters and long track record of operations

The company is a part of Sakthi Group, founded in the year 1984, with diversified interest in steel, logistics, warehousing, and industrial park development. Overall functioning of the group companies is managed by Mr. K.A. Anandh and has nearly 3 decades of experience.

Completion of capex project

The company completed its ongoing capex project to install rolling mill to manufacture TMT bars in FY23 and has commissioned the same in November 2023. The completion of the project has resulted in increase in the installed capacity of billets and TMT bars to 1.8 lakh metric tons per annum from 1.2 lakh metric tons previously.. The project costing of this capex expansion has been entirely met out of disinvestment of existing fixed assets/internal accruals without reliance on sanctioned bank funding.

Established customer and supplier base in domestic market

SSIL carries out its sales to reputed clientele in Tamil Nadu and nearby regions. The company has been doing regular business with the established clientele and has developed a long-term relationship with them. SSIL is successfully able to supply steel scrap as well as billets to the companies which also provide sufficient advances for the raw material. Company procures raw material by participating in tenders of engineering industries and buys steel scrap directly from the auto manufacturing companies at a contracted rate. The balance raw material requirements are met through imports from various countries like USA, Europe, Hongkong, Malaysia etc.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[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 |

Sakthi Steel Industries Limited was incorporated in 2010 and is engaged in trading of steel scrap and manufacturing of billets from their facility at Kancheepuram, Tamil Nadu with a production capacity of 1,20,000 MT of billets/annum. The company is a part of Sakthi Group, founded in the year 1984, with diversified interest in steel, logistics, warehousing, and industrial park development. Overall functioning of the group companies is managed by Mr. K.A. Anandh. During FY23, the company has also acquired a subsidiary SSI Gold House engaged in retailing jewellery at Thirumangalam with an outlet area of 16,000 sq. ft.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income | 690.51 | 1,171.00 | 820.41 |
| PBILDT | 27.03 | 5.40 | 5.01 |
| PAT | 17.94 | 11.04 | 4.18 |
| Overall gearing (times) | 1.25 | 3.28 | 0.94 |
| Interest coverage (times) | 8.55 | 1.34 | 0.92 |

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

Status of non-cooperation with previous CRA:

CRISIL Ratings Limited (CRISIL Ratings) has conducted a review on the basis of best available information and has classified the firm as “noncooperating” vide its press release dated June 10, 2024. The reason provided CRISIL Ratings is nonfurnishing of information for monitoring of ratings and non-submission of NDS.

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 | | - | - | - | 30.00 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-ILC/FLC | | - | - | - | 20.00 | CARE A4; 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 | 30.00 | CARE BB; Stable; ISSUER NOT COOPERATING * | 1)CARE BB+; Stable (03-Apr-24) | - | 1)CARE BB+; Stable (19-Jan-23) 2)CARE BB+; Stable (06-Apr-22) | - |
| 2 | Non-fund-based - ST-ILC/FLC | ST | 20.00 | CARE A4; ISSUER NOT COOPERATING * | 1)CARE A4+ (03-Apr-24) | - | 1)CARE A4+ (19-Jan-23) 2)CARE A4+ (06-Apr-22) | - |
| 3 | Fund-based - LT-Term Loan | LT | - | - | 1)Withdrawn (03-Apr-24) | - | 1)CARE BB+; Stable (19-Jan-23) | - |

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

LT: Long term; ST: 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 - ST-ILC/FLC | 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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| Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in | Analytical Contacts Priti Agarwal Senior Director CARE Ratings Limited E-mail: priti.agarwal@careedge.in |
| Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22 6754 3444 E-mail: Ankur.sachdeva@careedge.in | Sandeep P Director CARE Ratings Limited Phone: +91-44 2850 1002 E-mail: sandeep.prem@careedge.in |
| | Aadarsh Gs Rating Analyst CARE Ratings Limited E-mail: Aadarsh.Gs@careedge.in |

About us:

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Disclaimer:

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