

Sakthi Ferro Alloys India Private Limited

June 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	80.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sakthi Ferro Alloys India Private Limited (SFAIPL) are constrained by thin profit margins owing to commodity nature of finished products, susceptibility of profit margins due to volatile raw material prices, working capital intensive nature of operations and cyclical nature of steel industry. However, the ratings derive comfort from extensive experience of promoters in the steel industry and moderate financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Consistent improvement in profitability with profit before interest, lease rentals, depreciation and tax (PBILDT) margins above 4%.
- Improvement in Total Debt/Gross cash accruals below 5x

Negative factors:

- Drop in scale of operations with Total Operating Income (TOI) going below Rs. 500 Crores.
- Deterioration in liquidity indicators

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the company's operations will be stable in the medium term backed by extensive experience of promoters in the steel industry.

Detailed description of the key rating drivers

Key Weaknesses

Revenue concentration among top customers

The company has exhibited an increasing trend in customer concentration with top 10 customers contributing to 69% of TOI in 11MFY25 (FY24: 51%) with one client, Tube Investments of India Limited contributing to 65% of TOI in 11MFY25 (FY24: 46.77%). SFAIPL sells MS billets and TMT bars under two brand names SSI TMT bars and Sri Durga TMT. Apart from the distribution channel, the company also sells directly to infrastructure companies.

Thin profitability owing to commoditized nature of finished products

The TMT bar manufacturing is characterised by low-entry barriers due to the moderate capex requirements and the easy availability of technology, which has resulted in a proliferation of several small and large manufacturers spread across the country. The highly fragmented nature of the industry has resulted in intense competition within the industry, resulting in very thin profit margins. SFAIPL has exhibited thin profitability margins with PBILDT% ranging from 2-3%. Following the increase in share of revenue from manufacturing, PBILDT% improved to 2.76% in FY25 (PY: 2.06%).

Susceptibility of profit margins due to volatile raw material prices

Steel is a cyclical industry, strongly correlated to economic cycles since its key users, viz., construction, infrastructure, automobiles and capital goods, are heavily dependent on the state of the economy and any increase in prices without a corresponding increase in retail price can have an impact on the margins of the company. In recent times the uncertainty regarding geopolitical issues in relation to tariffs and duties have caused volatility in steel prices.

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

Key Strengths

Extensive experience of promoters in the Steel Industry

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 K. A. Anandh and has nearly 3 decades of experience.

Moderate financial risk profile

The scale of operations of the company consists of income from manufacturing of TMT and Trading of scrap steel. Due to the company's conscious decision to stop trading in SFAIPL, the TOI has reduced to Rs. 781 Crores in FY24 (PY: Rs. 868.81 Crores). However, income from manufacturing grew by 10% in FY24 to Rs. 741 Crores (PY: Rs. 675.17 Crores). In FY25, the company recorded a TOI of Rs. 693 Crores out of which 98% was contributed by manufacturing income.

The capital structure of the company remains comfortable marked by overall gearing of 0.71x as on March 31, 2025 (PY: 1.13x). Debt structure primarily consists of working capital facilities and a small composition of ECLGS term loans and LAP loans taken for the purpose of working capital. However, Income Tax Department raised Tax demand for income pertaining to for the assessment years 2014 to 2021 and accordingly the company has paid additional taxes amounting ₹11.37 crores in FY24.

Liquidity: Stretched

The operations of SFAIPL are working capital intensive with average utilisation levels at 89% for 12 month ended March 2025. The company has generated GCA of around Rs.10 Crores in FY25 against repayment of Rs.2.26 Crores for FY26. The operating cycle of the company stood at 76 days for year ended March 31, 2025 (PY: 72 days). Company had minimal free cash balance of Rs. 0.25 Crores as on FY24 end.

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](#)

[Iron & Steel](#)

About the company and industry

Industry classification

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

SFAIPL incorporated on March 29, 2005, and based in Chennai, Tamil Nadu is primarily engaged in manufacturing & sale of TMT bars and steel billets. Besides manufacturing, SFAIPL also undertakes trading of steel scrap. Company has its manufacturing plant in Kuppam, Andhra Pradesh with an installed capacity of 144,000 MT of TMT bars per annum.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	868.81	794.60	693.32
PBILDT	15.67	16.31	19.10
PAT	4.01	5.68	7.21
Overall gearing (times)	1.14	1.13	0.71
Interest coverage (times)	1.68	1.38	1.80

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
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	80.00	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 2025-2026	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
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	80.00	CARE BB+; Stable / CARE A4+				

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	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.

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