

## Steel Exchange India Limited

October 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE BB+; Stable	Upgraded from CARE BB-; Stable
Short Term Bank Facilities	40.00	CARE A4+	Upgraded from CARE A4
Non Convertible Debentures	230.91	CARE BB+; Stable	Upgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the rating assigned to the bank facilities and instruments of Steel Exchange India Limited (SEIL) factors in the improvement in operational and financial performance, aided by successful capacity expansion and a favourable change in product mix. The rating also factors in the expected improvement in the financial risk profile following the successful refinancing (prepayment/takeover of the non-convertible debentures and term loans) of ₹350 crore of existing debt, resulting in a substantial reduction in overall interest cost. Ratings further consider the promoters' extensive experience in the steel industry, their demonstrated ability to infuse capital to support operations, and SEIL's established brand presence in southern India.

In FY25 (FY refers to April 01 to March 31), SEIL reported ~5% growth in total operating income (TOI), supported by higher rebar sales volumes leading to a favourable product mix. Profitability is further expected to improve due to in-house production of 8 mm and 10 mm rebars post-capex, which will reduce the outsourcing costs. Additional comfort is derived from the company securing conversion contracts with industry peers and obtaining approvals for its products in infrastructure projects such as key National Highways Authority of India (NHAI) and port development initiatives.

However, ratings remain constrained by SEIL's working capital intensive operations, with a significant portion of funds blocked in inventory and receivables, and fully utilised working capital limits that provide limited liquidity headroom. Ratings are further moderated by the inherent cyclical nature of the steel industry, high debt levels, moderate coverage indicators, and susceptibility of profitability margins to volatility in raw material and finished goods prices.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Steady growth in TOI, while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 10% on a sustained basis.
- Improvement in debt coverage indicators with interest coverage above 3x.
- Significant reduction in total debt through funds received from the proposed rights issue.

#### Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Significant reduction in TOI and decline in profitability levels.
- Deterioration in the working capital cycle extending beyond 100 days, leading to adverse liquidity position of the company.
- Inability to raise sufficient funds (such as rights issue/equity infusion) in a timely manner which will be largely utilised towards debt reduction program.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that SEIL will continue to benefit from the extensive experience of its promoters and management in the steel industry.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key weaknesses

#### Higher inventory and receivables days, further enhancing working capital requirements

SEIL's operations continues to be working capital intensive, with substantial portion of funds parked in inventory and debtors. The company's inventory holding period as well as the receivables have increased over time. This rise is partly due to the presence of slow-moving finished goods inventory and raw material inventory, leading to an increase in inventory days to 107 days in FY25, compared to 105 days in the previous year. Additionally, receivable days increased from 47 days in FY24 to 58 days in FY25, resulting in an elongation of the operating cycle to 118 days in FY25 (FY24: 104 days).

### Moderate coverage indicators

SEIL's overall gearing improved to 0.74x as on March 31, 2025, compared to 0.88x as on March 31, 2024, supported by profit accretion and conversion of equity warrants, leading to an improvement in net worth. An additional amount of ~₹29.90 crore remains pending towards share warrants, which is expected to be received by FY27. The company's interest coverage improved to 1.67x in FY25 compared to 1.24x in FY24, supported by timely debt servicing and reduction in debt levels. Coverage metrics are expected to improve further with refinancing high-cost non-convertible debentures (NCDs) carrying a coupon of 18.75% with lower-cost debt at ~13.18%.

### Competitive landscape and vulnerability to commodity risks

Having its presence in the steel industry, SEIL faces intense competition due to numerous players manufacturing various steel products, including TMT bars. The company's profit margins are moderately low, reflecting the industry's competitive nature. Additionally, SEIL is exposed to cyclicalities in the real estate and construction sectors. Regarding commodity risks, SEIL relies on essential inputs such as coal and iron for steel production. These commodities have global supply chains and are influenced by factors such as geopolitical dynamics, supply-demand imbalances, weather patterns, and government policies (especially in China). The recent volatility in commodity prices, exacerbated by events like the Russia-Ukraine conflict, underscores the need for managing long-term price trends.

### Key strengths

#### Experienced promoters and long track record of operations

SEIL is the flagship company of the Vizag Profiles group. The Chairman and Managing director, B Satish Kumar is well-qualified and possesses over three decades of experience in steel and related industries. The Joint Managing Director, B Suresh Kumar also has over two decades of experience in steel sector and takes care of marketing and development of dealership-network. The company is also supported by other directors V V Krishna Rao and B Suresh, who have over a decade of experience in the manufacturing industry. Satish assisted by a team of professionals who are responsible for handling the key functional areas and have experience in their respective fields for over two decades. The other group companies promoted by promoters of SEIL are Vizag Profiles Private Limited, Umashiv Garments Private Limited, Simhadri Wires Private Limited, Simhadri Pellets India limited, Satyatej Vyaapar Private Limited, SAWP Steel Limited, VPL Integral CFS Private Limited and Vijayalakshmi Resources LLP.

### Improvement in operational and financial performance

In FY25, SEIL reported total operating income (TOI) of ₹1,144 crore compared to ₹1,091 crore in FY24, primarily supported by a ~14% increase in rebar sales volume. In Q1FY26, the company reported revenue of ₹304.95 crore. The company's PBILDT per tonne improved by 25% to ₹6,495 per tonne in FY25 (FY24: ₹5,192 per tonne), mainly due to a favourable change in product mix. Earlier, the company was constrained to trade 8 mm and 10 mm rebars due to capacity limitations; however, post completion of capex in FY25, it commenced in-house production, reducing reliance on external sourcing. Further, the company has successfully refinanced ₹350 crore of its existing debt (through prepayment/takeover of non-convertible debentures and term loans) with new non-convertible debentures and term loan facilities at significantly lower interest rates, resulting in a substantial reduction in overall interest cost. This refinancing is expected to improve SEIL's overall financial risk profile going forward.

### Integrated steel plant with strategic location benefits

The company's facility is strategically positioned with access to State and National Highways connecting major cities such as Chennai, Hyderabad, Kolkata, Bhubaneswar, and Raipur. It is also close to Visakhapatnam and Gangavaram Ports, providing logistics and container services, and is just 35 kilometres from Visakhapatnam International Airport. The company operates the largest private integrated steel plant in Andhra Pradesh and Telangana, in L. Kota Mandal, Vizianagaram District, spanning ~500 acres. The plant has three private railway sidings on the Bailadila – Kirandul Line. The company holds a renewable three-year agreement with NMDC for iron ore supply and is connected by rail to the Singareni Collieries Company Limited. It sources coal domestically and through imports from South Africa, Australia, and other countries, securing competitive prices. The facility

includes a sponge iron plant with a 220,000 TPA capacity, a steel melting shop with a 362,000 TPA capacity, and a rolling mill with a 357,000 TPA capacity.

#### Augmentation of new capacities expected to improve operational performance

SEIL expanded its billet production capacity from 250,000 metric tonne per annum (MTPA) to 362,000 MTPA (44.8% increase) and rolling mill capacity from 225,000 MTPA to 357,000 MTPA (58.67% increase), completing the ₹77 crore project in 14 months, funded partly through internal accruals. This expansion is expected to drive cost savings of up to ₹3,000 per tonne for 8 mm and 10 mm thermo-mechanically treated (TMT) bars, which were previously outsourced, thereby improving profitability. Further, the company has secured a 120,000 MTPA conversion contract from Rashtriya Ispat Nigam Limited (RINL), expected to generate incremental PBILDT of ~₹27 crore annually, with only a modest capital expenditure of ~₹12 crore for reheating and rolling facilities. Furthermore, the company's "SIMHADRI TMT" rebars have received approvals for major infrastructure projects.

#### Liquidity: Adequate

The company's liquidity position remains adequate with cash and liquid investments amounting to ₹13 crore as on March 31, 2025, the company had gross cash accruals of ₹69 crore in FY25. The average utilisation of its working capital limits (fund-based) was fully utilised for 12-months ending on June 30, 2025. In FY23, the company raised ₹159.73 crore through the issuance of share warrants and preferential allotment. Of this amount, ₹130.73 crore were received by FY25, with the remaining ₹29 crore expected to be received by end of FY26.

**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](#)

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#### About the company and industry

##### Industry classification

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

Incorporated in February 1999, SEIL is primarily engaged in manufacturing and trading TMT bars, billets, ingots, sponge iron, and power generation. The company operates a manufacturing facility for sponge iron (220,000 tonnes per annum [TPA]), billets (3,62,000 TPA) and TMT bars (3,57,000 TPA). Additionally, the company is involved in the sale and purchase of steel products through its trading division. SEIL owns an 11.84 MW gas-based power plant, and a 60 MW thermal power plant within its premises.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	1,091.29	1,144.02	304.95
PBILDT	49.74	123.84	36.35
PAT	-33.47	25.52	10.23
Overall gearing (times)	0.88	0.74	-
Interest coverage (times)	0.64	1.66	1.92

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
Debentures-Non Convertible Debentures	INE503B07036	28-Jan-2021	18.75	31-Mar-2028	230.91	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	40.00	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	Non-fund-based - ST-Letter of credit	ST	40.00	CARE A4+	-	1)CARE A4 (09-Oct-24)	1)CARE A4 (11-Mar-24) 2)CARE A4 (04-Oct-23)	1)CARE A4 (06-Jul-22)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1)CARE BB-; Stable (09-Oct-24)	1)CARE BB; Stable (11-Mar-24) 2)CARE BB; Stable (04-Oct-23)	1)CARE BB; Stable (06-Jul-22)
3	Debentures-Non Convertible Debentures	LT	230.91	CARE BB+; Stable	-	1)CARE BB-; Stable (09-Oct-24)	1)CARE BB; Stable (11-Mar-24) 2)CARE BB; Stable (04-Oct-23)	1)CARE BB; Stable (19-Jan-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Complex
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated:** Not applicable

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

### Contact us

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