

## SST Steel Corporation

March 10, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	67.00 (Enhanced from 57.00)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	38.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of SST Steel Corporation (SSTSC) continues to factor in the limited track record of operations, profitability susceptible to volatility in steel prices and weak demand conditions, presence of the firm in a highly fragmented and cyclical steel trading industry, and the inherent risk associated with the partnership nature of constitution. The rating also factors in the deterioration in leverage and coverage indicators due to the change in treatment of unsecured loans in earlier years, which were previously treated as quasi-equity but subsequently classified as debt considering non-adherence to sanction conditions.

The above rating weaknesses are partially offset by the firm's consistent scale-up in operations, supported by gradual diversification in product mix and expansion in geographic presence. Over last couple of years, the firm has expanded its operations beyond North Karnataka to markets such as Bengaluru, Andhra Pradesh, Telangana, Tumkur, and Hubli, which has helped in reducing geographic concentration risk. Further, diversification of the product portfolio beyond TMT bars into pipes, HR coils, sections, plates, and coated products has enabled the firm to broaden its customer base and mitigate dependence on a single product category. Despite an increase in inventory levels in FY25 on account of product and geographic expansion, the operating cycle remained at a moderate level, providing some comfort on working capital management.

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

#### Positive factors

- Improvement in scale of operations above Rs. 700 Cr, net worth of more than Rs. 45 crores, while maintaining ROCE above 10%.
- TOL/TNW below 1.5x and Interest coverage (PBILDT/Interest) more than 2.5x

#### Negative factors

- Significant decline in the scale of operation with decline in PBILDT margins below 1%.
- Any withdrawal of capital from the partnership firm leading to a sustained deterioration in TOL/TNW beyond 4x.
- Elongation in the operating cycle by more than 90 days.

#### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the firm will continue to witness growth in scale of operations on the back of partners experience, continued growth in sales volume from newly added products, wide dealer network and established relationships with diversified clientele.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Leveraged capital structure with Marginally Weak debt coverage indicators

The entity's capital structure stood leveraged, as marked by an overall gearing of 3.66x as on March 31, 2025 (3.22x as on March 31, 2024) with high reliance on external debt. Its debt profile largely comprises working capital debt. The total outside liabilities to net worth stood high at 4.44x as on March 31, 2025 (increasing from 3.65x as on March 31, 2024). The moderation in capital structure was on account of increase in working capital borrowings to support higher inventories. Debt coverage indicators stood

<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.

marginally weak, as marked by moderate PBILDT interest coverage of 1.63x in FY25 (2.07x in FY24) and very high total debt to GCA (TD/GCA) of 27.88x in FY25(16.76x in FY24). Deterioration during the year was on account of stable profitability and increase in debt levels debt levels to fund higher inventories.

#### **Profitability susceptible to volatility in steel prices**

The firm's profitability remains susceptible to volatility in prices of traded goods given the highly commoditized nature of the products. While the firm has diversified beyond TMT bars into pipes, HR coils, plates, sections, and coated products, margins remain thin due to intense competition and price sensitivity. During FY25, PBILDT margins moderated to 1.86% from 1.99% in FY24, reflecting market-driven pricing pressures rather than structural inefficiencies. The moderation in margins was also attributable to higher cost associated with expansion of geographies. However, it maintains 10-15 days of inventory which helps the firm to mitigate the price volatility risk to some extent. It provides 30-40 days of credit period to its clients in view of high competition in iron and steel trading business. Any movement in prices of goods in stock will have an adverse impact on the margins.

#### **Planned future Capex**

The firm plans to invest ₹8-10 crore in a new integrated infrastructure facility spread over approximately 70,000 square feet. The facility will house CTL (cut-to-length) lines for steel products and will support semi-fabricated products used in agricultural equipment such as tractor trolleys. Funding will be structured with approximately 30% promoter contribution and 70% bank finance. The project will start in FY27. The promoter contribution in the form of USL will be 50% while the balance will be from internal accruals. This is expected to add to product portfolio and improve margins, however, the ability of the firm to implement the project within the time and cost, and accruing envisaged benefits remain critical and a key monitorable from credit perspective.

#### **Fragmented and cyclical industry with many regional unorganized players**

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. Besides local factors, the global demand supply situation especially China is major factor impacting the steel prices and volumes. The steel sector in India is characterized by existence of large number of small and medium sized trading players working at regional level. Accordingly, there is stiff competition.

#### **Inherent risk associated with the partnership nature of constitution**

SSTSC being a partnership firm has the inherent risk of succession plan and the possibility of withdrawal of capital at the time of personal contingency, which can affect the capital structure.

#### **Key Strengths**

##### **Stable scale of operations albeit thin margin**

The firm started its trading operations from Dec 2019, within a limited time span the revenue has grown from Rs. 256 crores in first full year of operations in FY21 to Rs.679 crore in FY24 backed by consistent increase in volumes. During FY25, the TOI of the firm moderated by 1.40%. The moderation in revenue during FY25 was primarily attributable to weaker demand conditions during the second half of the year, driven by extended monsoon conditions in South India, which disrupted construction activity and delayed project execution, which continued in H1FY26 as well. As a result, income from operations declined marginally to ₹669.23 crore in FY25 from ₹678.71 crore in FY24. The firm reported a revenue of Rs.318 crore in H1FY26 (PY: Rs.307 crore).

The PBILDT margin declined marginally from 1.99% in FY24 to 1.86% in FY25. The moderation was mainly due to adverse steel price movements and increased cost pressures associated with geographic expansion and product diversification. During FY25, the firm expanded into new markets and added multiple product categories such as pipes, coated products, plates, and sections, which led to higher logistics, warehousing, staffing, and initial stocking costs. Going forward on the back of higher sales expected from plates, both scale and PBILDT margins are expected to witness an improvement. On the back of stable prices the company reported a PBILDT margins of 2.39% in H1FY26 (PY H1FY25:2.41%).

##### **Satisfactory operating cycle despite increases in inventory levels**

The operating cycle of the firm remained satisfactory though to 51 days in FY25 from 46 days in FY24, mainly due to higher inventory levels and elongated receivable cycles associated with expansion into new geographies and products. Inventory days increased to 16 days in FY25 (FY24: 10 days), reflecting stocking requirements for pipes, coated sheets, plates, and sections. Although the firm does not hold huge inventory, and sales are done based on back-to-back basis. As a practise, the firm maintains inventory of only less than 20 days which mitigates the firm's exposure against the price volatility. Average collection period stood at 43 days in FY25 (FY24: 40 days). Despite this, the operating cycle remains manageable for a trading entity of this scale.

The firm has been able to reduce the creditor days continuously, as the firm would be able to get better pricing from the suppliers in view of upfront payment.

#### **Diversified clientele with established relationship**

SST Steel Corporations has been successful in establishing a network of suppliers and customers within a short span of time despite having limited track record of business operations in steel trading business. The firm has established relationships with a wide network of suppliers and serves more than 500 dealers across North Karnataka and adjoining regions. Geographic expansion into Bengaluru, Andhra Pradesh, Telangana, Tumkur, Hubli, and other markets has improved customer diversification and revenue stability. It procures majority of its trading materials (TMT bars & wire rods and others) from established suppliers and sell its product to steel makers, traders, and end-users.

#### **Liquidity: Adequate**

The liquidity profile of the firm remains adequate, supported by moderate cash accruals and continued support from working capital facilities. Gross cash accruals stood at ₹3.36 crore in FY25 (FY24: ₹4.98 crore). Average utilisation of fund-based working capital limits remained high at around 93% for last 12 months ended September 2025, reflecting higher inventory and receivable levels. Total debt increased to ₹93.66 crore as on March 31, 2025 (FY24: ₹83.42 crore), primarily on account of higher working capital borrowings. Interest coverage moderated to 1.63x in FY25 from 2.07x in FY24.

**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](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Metals & Minerals Trading	Trading - Metals

SSTSC is a partnership firm established on August 01, 2019. The firm is promoted by Mr. Imran Khan and his brothers and is engaged in distribution cum retails trading in steel and in all kinds of building materials. Over the years, the firm has built a good network base of more than 400+ dealers in North Karnataka.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26(UA)
Total operating income	678.71	669.23	318.29
PBILDT*	13.50	12.47	7.61
Profit after tax (PAT)	4.64	2.84	3.79
Overall gearing (x)	3.22	3.66	-
Interest coverage (x)	2.07	1.63	-

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

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	67.00	CARE BB+; Stable
Fund-based - ST-Purchase Invoice Financing		-	-	-	33.00	CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	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	Fund-based - LT-Cash Credit	LT	67.00	CARE BB+; Stable	1)CARE BB+; Stable (12-Feb-26)	1)CARE BB+; Stable (07-Jan-25)	1)CARE BB+; Stable (20-Dec-23)	-
2	Fund-based - ST-Purchase Invoice Financing	ST	33.00	CARE A4+	1)CARE A4+ (12-Feb-26)	1)CARE A4+ (07-Jan-25)	1)CARE A4+ (20-Dec-23)	-
3	Fund-based - ST-Vendor financing	ST	-	-	-	-	1)Withdrawn (20-Dec-23)	-
4	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A4+	1)CARE A4+ (12-Feb-26)	-	-	-

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	Fund-based - ST-Purchase Invoice Financing	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**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 for clarifications.

### Contact us

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