

Rating Rationale

March 28, 2025 | Mumbai

Vanya Steels Private Limited

'Crisil BBB+ / Negative' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.125 Crore
Long Term Rating	Crisil BBB+/Negative (Assigned)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has assigned '**CRISIL BBB+/Negative**' ratings to the bank facilities of Vanya Steels Pvt Ltd (VSPL).

The ratings reflect the extensive experience of the promoters in the steel industry, strong support from parent, strategic location and backward integration. These strengths are partially offset by moderate financial risk profile and susceptibility to fluctuations in raw material prices and cyclical in the industry.

Analytical Approach

Crisil Ratings has factored in the support from its parent, A-One Steels India Ltd (ASIL, formerly known as A-One Steel and Alloys Pvt Ltd, rated at 'Crisil A-/Negative/Crisil A2+') by applying the parent notch-up criteria.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters:** The promoters have more than three decades of experience in the steel industry; their strong understanding of the market dynamics and healthy relationships with customers and suppliers will continue to support the business. Their expertise has been instrumental in strengthening the market position, backed by strategic investment in capacity expansion and integration, and will enable the group to navigate industry downturns over the medium term.
- **Strong support from the parent:** The company benefits financially, operationally, and in the form of managerial support from its parent.
- **Strategic location and backward integration:** One of the advantages of VSPL is its strategic location around the steel belt of Karnataka and Maharashtra, which has ready offtake for its produce. VSPL also reduces the supplier risk for ASIL because of backward integration.

Weakness:

- **Moderate financial risk profile:** VSPL's capital structure has been moderate marked by gearing of 1.15 times and total outside liabilities to adjusted networth (TOLANW) of 2.47 times, as on March 31, 2024. The interest coverage and net cash accrual to total debt (NCATD) ratios were 3.79 times and 0.17 time, respectively, in fiscal 2024. Even though the debt protection metrics have been healthy due to low leverage and healthy profitability in last fiscal, it is expected to moderate in current fiscal with the moderation in business performance.
- **Susceptibility of cyclical in raw material prices:** VSPL operates in the cyclical steel industry, thus making it vulnerable to downturns in industry demand, leading to decline in realisation and profitability. Cost of production and operating margin are heavily dependent on raw material prices (iron ore). Furthermore, profitability is linked to the fortunes of the inherently cyclical steel industry, which has a strong correlation with the overall growth in the gross domestic product. The operating performance will remain susceptible to volatility in raw material prices, and offtake by key user sectors.

Liquidity: Stretched

Bank limit utilisation was high at 94.68% on average for the 12 months through January 2025. Annual cash accrual is expected to be Rs 16-22 crore against yearly term debt obligation of Rs 11-15 crore over the medium term. With the fund infusion from the promoters, they have already prepaid about six months of term loan obligations. The promoters are likely to extend equity and unsecured loans to meet the working capital requirement and debt obligations. The current ratio was moderate at 1.12 times as on March 31, 2024.

Outlook Negative

Crisil Ratings believes VSPL will continue to benefit from the extensive experience of its promoters, and established relationships with clients.

Rating sensitivity factors**Upward factors**

- Steady revenue growth and operating margin maintained at 5-6%, leading to higher-than-expected cash accrual
- Improvement in liquidity

Downward factors

- Steep decline in revenue or operating margin dropping to less than 4%, resulting in lower-than-expected cash accrual
- Further stretch in the working capital cycle or any large, debt-funded capital expenditure
- Any change in the support philosophy of ASIL, leading to downward revision in the quantum and timing of support and hence, in the ratings of VSPL or any weakening in the credit risk profile of the parent

About the Company

Incorporated in 2005, VSPL manufactures sponge iron. Its facility is in Koppal (Karnataka), with an installed capacity of 150,000 tonne per annum (TPA). It's parent, ASIL, owns 95.70% stake in VSPL.

About the Group

ASIL (formerly A-One Steel and Alloys Pvt Ltd) is the flagship company of the A-one group. The company was incorporated in 2012 by Mr Sunil Kumar Jallan and Mr Sandeep Kumar Jallan in Bengaluru. The promoters started ASIL with a rolling mill in 2008 and expanded operations thereon. The company has two manufacturing units based out of Gauribidanur and Ballari (both in Karnataka). The company also has a 34 MW captive power plant. The company sells its products under the brand 'A One Gold'.

Key Financial Indicators of VSPL -Standalone

As on/for the period ended March 31		2024	2023
Operating income	Rs crore	608.90	662.49
Reported profit after tax (PAT)	Rs crore	16.20	15.66
PAT margin	%	2.66	2.36
Adjusted debt/adjusted networkth	Times	1.15	2.80
Interest coverage	Times	3.67	2.89

Key financial indicators- Parent consolidated

As on/for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	3,841.13	3,180.86
Reported PAT	Rs crore	38.21	95.87
PAT margin	%	0.99	3.01
Adjusted debt/adjusted networkth	Times	2.08	2.92
Interest coverage	Times	1.84	3.09

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	81.00	NA	Crisil BBB+/Negative
NA	Proposed Working Capital Facility	NA	NA	NA	9.00	NA	Crisil BBB+/Negative
NA	Term Loan	NA	NA	31-Mar-27	35.00	NA	Crisil BBB+/Negative

Annexure - Rating History for last 3 Years

	Current	2025 (History)	2024	2023	2022	Start of 2022

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	125.0	Crisil BBB+/Negative		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	20	YES Bank Limited	Crisil BBB+/Negative
Cash Credit	61	Axis Bank Limited	Crisil BBB+/Negative
Proposed Working Capital Facility	9	Not Applicable	Crisil BBB+/Negative
Term Loan	35	Axis Bank Limited	Crisil BBB+/Negative

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)
Criteria for factoring parent, group and government linkages

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