

**October 31, 2025**

## **SRJ Peety Steels Private Limited: Long-term rating reaffirmed; short-term rating reaffirmed and withdrawn**

### **Summary of rating action**

<b>Instrument*</b>	<b>Previous rated amount (Rs. crore)</b>	<b>Current rated amount (Rs. crore)</b>	<b>Rating action</b>
<b>Long term -Fund based - Cash credit</b>	281.75	282.00	[ICRA]BBB+(Stable); reaffirmed
<b>Short term – Non-fund based - Bank guarantee</b>	38.25	-	[ICRA]A2; reaffirmed and withdrawn
<b>Total</b>	<b>320.00</b>	<b>282.00</b>	

*\*Instrument details are provided in Annexure I*

### **Rationale**

ICRA has consolidated the financials of SRJ Peety Steels Private Limited (SRJ) and SRJ Strips and Pipes Private Limited (SRJ Pipes) as the former has provided a corporate guarantee of Rs. 175 crore towards the latter's capex-related debt. Further, as SRJ Pipes is in a nascent stage of operation (commenced operations in March 2024), it is expected to rely on support from the more-established SRJ.

The rating reaffirmation factors in the extensive experience of SRJ's promoters in the steel industry and the company's established track record, long-standing relationships with customers and suppliers as well as its diversified customer base. The ratings favourably consider the operational efficiencies arising from SRJ's backward-integrated billet plant and its healthy capacity utilisation rates.

The rating also factors in the improved scale of operations, driven by higher sales volumes following the commissioning of SRJ Pipes, and a steady growth at SRJ. Going forward, the revenue is expected to be supported by a ramp-up in capacity utilisation at SRJ Pipes and steady volumes at SRJ. However, subdued market conditions, particularly in the TMT/rebar segment, are expected to result in lower realisations and weigh on the margins in FY2026, which may partially offset the benefits of scale expansion.

The rating is, however, constrained by a moderation in the Group's financial profile, marked by elevated leverage. The Group's total debt/OPBITDA increased to 5.7 times in FY2025 from 3.4 times in FY2024, primarily due to the debt-funded capex at SRJ Pipes and higher working capital utilisation. The operating profits also moderated in FY2025 compared to FY2024, largely because of a sharp rise in power costs for SRJ. Further, the operating margins at SRJ Pipes remained under pressure in FY2025, which was its first year of operations, as low capacity utilisation limited the absorption of fixed costs and restricted the realisation of operating leverage benefits. As SRJ Pipes ramps up, the margins are expected to improve with better economies of scale, supporting an overall improvement in the operating profit at the consolidated level. The ability of SRJ Pipes to ramp up operations and achieve healthy capacity utilisation remain a key monitorable.

ICRA notes that SRJ's manufacturing facility is eligible for capital subsidy under the Government of Maharashtra's Package Scheme of Incentives. With no major capex planned, the expected balance subsidy inflow is likely to be utilised to reduce the consolidated debt.

The elevated debt levels could lead to a potential breach of financial covenants in SRJ Strips. While the consolidated financial profile remains adequate at present, it could face pressure if SRJ Strips is unable to meet these covenants or obtain the requisite waivers.

ICRA also notes the income tax raid at SRJ in August 2022. However, the company has recognised the additional income in its audited accounts for FY2023, and a cash of Rs. 27.82 crore seized was set off against the income tax liability. However, any additional interest or penalty by the income tax authorities would remain a key monitorable.

The ratings are also constrained by the highly commoditised and fragmented nature of the secondary steel industry, resulting in intense competition and limiting the pricing flexibility. The company's margins remain susceptible to volatility in raw material prices. Additionally, the Group remains exposed to the inherent cyclical nature of the steel industry, which keeps the profits and cash flows volatile.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's expectation of consistent operational performance, supported by sustained product demand. Further, the absence of any incremental debt-funded capex is expected to support the Group's credit profile.

ICRA has withdrawn the short-term rating outstanding on the non-fund based facilities, at the request of the company and in line with ICRA's policy on withdrawal of credit ratings

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters and company's established track record in steel industry; diversified customer base** – SRJ and SRJ Pipes are promoted by the Peety family, who have over three decades of experience in the steel industry. The extensive experience of SRJ's promoters and the Group's established track record has supported long-standing relationships with customers and suppliers, supporting its operational scale-up over the years. The Group's customer base is diversified, comprising a mix of reputed institutional customers, real estate entities and traders, among others. The concentration risk remains moderate, with the top 10 customers accounting for around 30% of the total sales over the past two years.

**Partly integrated operations, healthy capacity utilisation rates at SRJ** – The company has a partially integrated facility with the presence of induction furnaces and continuous caster to produce billets using sponge iron, pig iron, scrap etc. These are captively consumed for the production of TMT bars. The facility uses a hot charging technology, which transfers billets directly from the caster to the rolling mill, leading to savings in energy costs. Besides supporting the operating profitability, the backward integration ensures smooth raw material availability. The capacity utilisation at SRJ's billet and TMT divisions has remained healthy at over 90% for the past two years, reflecting efficient operations. Further, SRJ's location in the D+ zone of Jalna, Maharashtra, makes it eligible for capital subsidies under the Government of Maharashtra's Package Scheme of Incentives. However, SRJ Pipes, which commenced operations in March 2024, reported low capacity utilisation in the first year, though a ramp-up is expected in the near term.

**Improved scale of operations** – The Group's consolidated revenues increased to Rs. 3,030.8 crore in FY2025, from Rs. 2,274.8 crore in FY2024, driven by higher sales volumes following the commissioning of SRJ Pipes, and a steady growth at SRJ. Going forward, the revenue is expected to be supported by a ramp-up in capacity utilisation at SRJ Pipes and stable volumes at SRJ. However, subdued market conditions, particularly in the TMT/rebar segment, are expected to lead to lower realisations and weigh on the margins in FY2026, which may partially offset the benefits of scale expansion.

### Credit challenges

**Elevated leverage indicators** – The Group's financial profile is marked by elevated leverage. The Group's total debt/OPBITDA increased to 5.7 times in FY2025, from 3.4 times in FY2024, primarily due to debt-funded capex at SRJ Pipes and higher working capital utilisation. The operating profits also moderated in FY2025 compared to FY2024, largely because of a sharp rise in power costs for SRJ. Further, the operating margins at SRJ Pipes remained under pressure in FY2025, its first year of operations, as low capacity utilisation limited the absorption of fixed costs and restricted the realisation of operating leverage benefits. As SRJ Pipes ramps up, the margins are expected to improve with better economies of scale. The ability of SRJ Pipes to ramp up operations and achieve a healthy capacity utilisation remain a key monitorable.

Going forward, ICRA expects the leverage metrics to gradually improve with the scaling up of operations and scheduled debt amortisation. Further, with no major capex planned, the expected balance subsidy inflow is likely to be utilised to reduce the consolidated debt.

**Highly commoditised and fragmented nature of secondary steel industry; margins susceptible to volatility in raw material prices** - The companies operate in a highly commoditised industry with raw material and power cost accounting for 80-90% of the revenues. The secondary steel industry is intensely competitive owing to low product differentiation and low entry barriers. Intense competition in the industry limits the pricing flexibility, which restricts the scope for an improvement in profitability. The company’s profit margins also remain susceptible to the volatility in major raw material prices such as sponge iron and scrap.

**Exposure to cyclicality inherent in steel industry** - The companies’ operations are vulnerable to any adverse change in the demand-supply dynamics of the end-user industries such as infrastructure and real estate, among others. The cyclicality inherent in these sectors is likely to keep the company’s profits and cash flows volatile.

### Liquidity position: Adequate

The Group’s liquidity position is adequate, supported by a healthy buffer in the form of unutilised working capital limits. The average consolidated utilisation of working capital limits during the 12-month period ended August 2025 stood at ~45%. Also, against the scheduled debt repayments of Rs. 74 crore in FY2026 and Rs. 50 crore in FY2027, the Group is projected to generate sufficient cash accruals to meet its obligations comfortably.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company demonstrates a consistent growth in revenues and an improvement in profitability on a sustained basis. In addition, a sustained improvement in the credit metrics and liquidity parameters needs to be demonstrated.

**Negative factors** – Pressure on the ratings or outlook could arise if there is a deterioration in the company’s earnings or if any large debt funded capex/investment adversely impacts the company’s debt protection metrics and/or the liquidity position. Any large advance/letter of comfort/corporate guarantee extended to related parties, adversely impacting the company’s financial profile or liquidity position, could be a negative factor.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of SRJ Peety Steels Private Limited (SRJ) and its sister concern, SRJ Strips and Pipes Private Limited (SRJ Pipes). SRJ has provided a corporate guarantee to SRJ Pipes.

### About the company

Incorporated in 1985, SRJ Peety Steels Private Limited (SRJ) manufactures billets and thermo mechanically treated (TMT) bars. Initially, the company was formed with the sole purpose of manufacturing MS ingots. In 1994, the company started manufacturing MS bars and, in 2007, it started manufacturing MS billets. In 2012, the company adopted the hot rolling method to produce MS bars. The company had a manufacturing capacity of approximately 60,000 MTPA in FY2010, which increased

to 500,000 MTPA in FY2025. At present, SRJ has a billet manufacturing unit and a rolling mill unit, each with installed capacities of 500,000 metric tonnes per annum (MTPA). The billets manufactured are consumed in-house for producing TMT bars. The company's products are ISO-certified. It sells TMT bars under the brand name of 'Shree Om' and 'Kapila'.

The promoter group also owns SRJ Strips and Pipes Private Limited (SRJ Pipes), incorporated in FY2021, which commenced commercial production in March 2024. SRJ Pipes manufactures billets, TMT bars, and steel pipes, with a total installed capacity of 205,000 MTPA. SRJSP sells TMT bars under the brand name 'Kapila' and pipes under 'SRJ Pipes'.

Both SRJ and SRJ Pipes have their manufacturing facilities at Jalna, Maharashtra.

### Key financial indicators (Audited)

SRJ Peety Steels Private Limited (consolidated)	FY2024	FY2025
Operating income	2,274.8	3,030.8
PAT	71.5	35.3
OPBDIT/OI	5.3%	3.5%
PAT/OI	3.1%	1.2%
Total outside liabilities/Tangible net worth (times)	1.0	1.3
Total debt/OPBDIT (times)	3.4	5.7
Interest coverage (times)	8.0	3.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 31, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	282.00	[ICRA]BBB+ (Stable)	Jul 16, 2024	[ICRA]BBB+ (Stable)	Apr 03, 2023	[ICRA]BBB+ (Stable)	-	-
Non-fund based - Bank guarantee	Short term	38.25	[ICRA]A2; Reaffirmed and withdrawn	Jul 16, 2024	[ICRA]A2	Apr 03, 2023	[ICRA]A2	-	-
Unallocated	Long term/Short term					Apr 03, 2023	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-
Fund based - Term loan	Long term					Apr 03, 2023	[ICRA]BBB+ (Stable)	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Short term – Non-fund based - Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	NA	NA	282.00	[ICRA]BBB+(Stable)
NA	Bank guarantee	NA	NA	NA	38.25	[ICRA]A2; Reaffirmed and withdrawn

Source: Company

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**Annexure II: List of entities considered for consolidated analysis:**

Company name	SRJ ownership	Consolidation approach
SRJ Strips and Pipes Private Limited	-	Full consolidation

Source: Company

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