

February 17, 2026

SKM Steels Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Cash credit	437.00	447.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long term – Fund based – Term loan	0.00	25.00	[ICRA]A- (Stable); assigned
Short term – Fund based	150.00	150.00	[ICRA]A2+; reaffirmed
Short term – Non-fund based	3.00	3.00	[ICRA]A2+; reaffirmed
Long term/Short term – Unallocated	10.00	0.00	-
Total	600.0	625.0	

*Instrument details are provided in Annexure I

Rationale

To arrive at the ratings, ICRA has considered the consolidated financials of SKM Steels Limited (SKM), including the companies enlisted in Annexure II, together referred to as the SKM Group.

The ratings reaffirmation continues to factor in the extensive experience of the promoters of the SKM Group in the iron and steel industry and its established relationship with Tata Steel Limited (Tata Steel) as an authorised distributor of its products in Maharashtra, Gujarat, Madhya Pradesh and Goa. The ratings also favourably factor in the company's diversified customer base with only ~8% of the revenues derived from the top five customers. Besides, the company has diversified operations with presence in the trading and processing of flat and long products, which in turn reduces its dependence on a single sector.

The ratings favourably factor in an improving product mix with the increasing share of value-added and specialised steel products such as boiler quality (BQ) plates, galvanised plain (GP) coils and stainless steel products. While reaffirming the ratings, ICRA considers the sustained revenue growth and profitability of the Group with volumes remaining healthy and sales realisation stable. However, the company's debt coverage indicators have moderated with increased interest expenses in FY2025 owing to higher utilisation of working capital borrowings and supply chain financing. On a standalone basis, the company reported a stable performance in 9M FY2026 with the revenue at Rs. 2,706.5 crore, broadly in line with the previous year, because of healthy volumes and limited volatility in realisations amid steady steel prices.

SKM is expected to close FY2026 with modest revenue growth and largely stable OPBITDA margins, supported by continued demand from the core user industries. However, any further rise in the working capital intensity or interest costs remains a monitorable.

The ratings, however, are constrained by the SKM Group's thin profitability and working capital-intensive nature of operations, driven by its requirement to make immediate payments to Tata Steel while it extends a credit period of one to two months to its customers. The Group also remains exposed to the cyclical nature associated with the steel industry, which is likely to keep its cash flows volatile. ICRA also notes SKM's investments in various business ventures (including some unrelated ones) over the last two to three years and the management's plan to enter new business segments over the medium term. The overall amount of investment in these ventures, along with a profitable ramp-up in their operations and the extent of the funding support provided by SKM, would be the key monitorables.

The Stable outlook on the [ICRA]A- rating reflects ICRA's expectations that the SKM Group would continue to benefit from its increasing focus on specialised products, its association with Tata Steel and the extensive experience of the promoters in the iron and steel industry.

Key rating drivers and their description

Credit strengths

Experience of promoters and long association with Tata Steel Limited – SKM commenced steel processing operations in 1994. The company's promoters have around 50 years of experience in the iron and steel industry. SKM is one of the 26 authorised distributors of Tata Steel in Maharashtra, Madhya Pradesh, Gujarat, and Goa, and has a long business association of over two decades. The long relationship with Tata Steel ensures a steady supply of flat and long steel products at competitive rates. In FY2025, Tata Steel accounted for 53% of the total revenues by SKM. Tata Steel's products are processed at SKM's Taloja service centre, as per the customers' requirements. As SKM is recognised as Tata Steel's external processing unit (EPU), the company is authorised to bid for processing contracts from various Tata Steel clients.

Diversified operations with presence in processing of a wide range of steel products – SKM's portfolio includes cold-rolled close annealed sheets, GP coils, hot-rolled coils, stainless steel bars, BQ plates and thermo-mechanically treated (TMT) bars. The company caters to the automotive, white goods, construction, engineering, and capital goods industries. The wide product range offered by the company reduces its dependence on a single sector. Further, the focus on specialised and higher-margin products, backed by processing capabilities at multiple locations and a wide multi-sector customer base, has helped reduce the dependence on any single product or end market.

Moderate financial risk profile – The ratings continue to factor in the company's moderate financial risk profile, characterised by an expanding scale and tangible net worth, steady cash accruals and profitability. While the leverage has increased on account of higher working capital needs, the gearing remains within a tolerable band for the business model, supported by steady accruals. ICRA also notes that SKM's investments in various business ventures (including some unrelated ones) over the last two to three years and the overall amount of investment in these ventures, along with a profitable ramp-up in their operations and the extent of funding support would continue to remain the key monitorables.

Credit challenges

Thin profit margins – The ratings remain constrained by the inherently thin operating margins (3-4%) typical of steel trading and processing, given the high price transparency, competitive intensity and limited pricing power in commoditised grades. Although the increasing share of value-added products has aided the contribution, the overall margins are susceptible to sharp movements in steel prices, spreads, and inventory valuation effects, which can compress the profitability in volatile phases. In line with this, the company's interest coverage moderated to 2.3–2.5x in FY2025 owing to the higher reliance on working capital borrowings and is expected to remain at similar levels in FY2026, given the elevated funding requirements. Consequently, maintaining tight control over the product mix, costs and working capital will be essential to support the returns and protect the coverage indicators.

Working capital-intensive operations – The SKM Group's operations are working capital-intensive in nature, demonstrated by a net working capital-to-operating income of 20-25% over the last three fiscals. ICRA notes the structurally high working capital intensity of the business, driven by the need to maintain adequate multi-grade inventory for service levels and extend credit to a broad customer base across industries. This elevates the reliance on short-term borrowings and trade finance lines, increasing the carrying costs and exposing the liquidity to swings in volumes and price cycles. A timely rotation of the inventory (typically 30–40 days in normal conditions), strict credit controls and active receivables management are critical to sustain a funding headroom; any elongation in the operating cycle or slower collections could put pressure on the debt profile and coverage metrics.

Vulnerability of cash flows in steel sector – SKM is exposed to price risks, given the inherent cyclicality in the steel industry. The price risks are accentuated by the largely freehold nature of the inventory maintained by the company. However, ICRA notes that the inventory level maintained by SKM remains low at an absolute level.

Liquidity position: Adequate

The liquidity position of the SKM Group is adequate, supported by expected cash accruals of more than Rs. 80 crore and annual repayment obligation of Rs. 5-8 crore per annum. The access to bank working capital facilities and trade finance channels provides flexibility, with promoter loans offering support. However, high working capital needs and steel price volatility constrains the liquidity, making efficient inventory and receivable turnover essential. The ongoing capex at its processing facilities is proposed to be funded through internal accruals and existing banking lines; nevertheless, its timely execution and disciplined funding will remain important to prevent any additional strain on liquidity.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings based on a sustained improvement in the operating margins through a higher share of value-added products, strengthening of debt coverage metrics and reduction in working capital intensity, leading to improved liquidity and lower reliance on working capital borrowings.

Negative factors – Pressure on the ratings could arise if the revenues and profit margins weaken, resulting in a deterioration of SKM’s credit metrics on a sustained basis. A large debt-funded capex or investments in unrelated ventures, adversely impacting the liquidity and leverage would be another negative factor. Further, the TOL/TNW remaining higher than 1.5 times, on a sustained basis, may trigger a downward rating revision.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the entity, including the companies enlisted in Annexure II

About the company

SKM Steels Limited (SKM), incorporated in 1994, is promoted by Mr. Kirtilal Shah and his family and is engaged in the trading and processing of steel products. The company was initially set up as a partnership firm in 1972 and was incorporated as a public limited company in 1994. SKM is an authorised distributor of Tata Steel Limited in Maharashtra, Gujarat, Madhya Pradesh and Goa. SKM’s products find use in industries such as automobile, white goods and construction, among others. Its processing facilities are at Taloja in Maharashtra and Indore in Madhya Pradesh.

The Group is also present in unrelated ventures such as real estate development, trading of infrastructure related materials, ornamental jewellery business, plywood manufacturing, etc.

Key financial indicators (audited):

	Standalone		Consolidated*	
	FY2024	FY2025	FY2024	FY2025
Operating income	3425.1	3552.9	3743.5	4072.5
PAT	47.0	50.6	52.1	119.0
OPBDIT/OI	3.3%	3.2%	3.5%	3.9%
PAT/OI	1.4%	1.4%	1.4%	2.9%
Total outside liabilities/Tangible net worth (times)	1.3	1.2	1.5	1.4
Total debt/OPBDIT (times)	3.6	5.0	3.8	4.5
Interest coverage (times)	2.7	2.4	2.4	2.5

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

*ICRA has considered the consolidated financials which includes financials of entities where SKM has provided the corporate guarantee as enlisted in Annexure II.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2026)		Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long term	447.00	Feb 17, 2026	[ICRA]A-(Stable)	Nov 21, 2024	[ICRA]A-(Stable)	Oct 06, 2023	[ICRA]A-(Stable)	Jul 06, 2022	[ICRA]A-(Stable)
Fund based – Term Loan	Long term	25.00	Feb 17, 2026	[ICRA]A-(Stable)	Nov 21, 2024	-	Oct 06, 2023	-	Jul 06, 2022	-
Fund-based limits	Short term	150.00	Feb 17, 2026	[ICRA]A2+	Nov 21, 2024	[ICRA]A2+	Oct 06, 2023	[ICRA]A2+	Jul 06, 2022	[ICRA]A2+
Non-fund Based Limits	Short term	3.00	Feb 17, 2026	[ICRA]A2+	Nov 21, 2024	[ICRA]A2+	Oct 06, 2023	[ICRA]A2+	Jul 06, 2022	[ICRA]A2+
Unallocated Limits	Long term/Short term	0.00	Feb 17, 2026	-	Nov 21, 2024	[ICRA]A-(stable)/[ICRA]A2+	Oct 06, 2023	[ICRA]A-(stable)/[ICRA]A2+	Jul 06, 2022	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Short term – Fund based	Simple
Long Term – Fund based – Term Loan	Simple
Short Term – Non-Fund Based- Others	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	447.00	[ICRA]A- (Stable)
NA	Channel financing	NA	NA	NA	150.00	[ICRA]A2+
NA	Letter of credit	NA	NA	NA	3.00	[ICRA]A2+
NA	Term loan	NA	NA	NA	25.00	[ICRA]A- (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership*	Consolidation approach
SKM Steels Limited	Parent entity	Full consolidation
Mahima Infrastructure Private Limited	99.9% subsidiary	Full consolidation
Shaswat Vivan Infratech Private Limited^	94.29% subsidiary	Full consolidation
SKM Sharda Industries Private Limited&	51% subsidiary	Full consolidation
Shaswat Nests Private Limited	99.99% subsidiary	Full consolidation
Skm Steels Venture Private Limited	99.99% subsidiary	Full consolidation
SKM Shree Engineering Private Limited	51% Subsidiary	Full consolidation
Dhruvah Ventures Private Limited	55% subsidiary	Full consolidation
SKM Stainox LLP^	60% LLP	Full consolidation
Vero Stella Jewels LLP^	42% LLP	Full consolidation
Strandply LLP	47% LLP	Equity method
Trackon Infrastructure and Logistics	36% (Partnership Firm)	Equity method
Wallgreens Formsolutions LLP	15% LLP	Equity method

Source: Company, *Ownership as on 31st March 2025; ^consolidated owing to corporate guarantee provided by SKM, &SKM Sharda Industries Private Limited consolidated till FY2025 and not considered FY2026 onwards following a reduction in shareholding.

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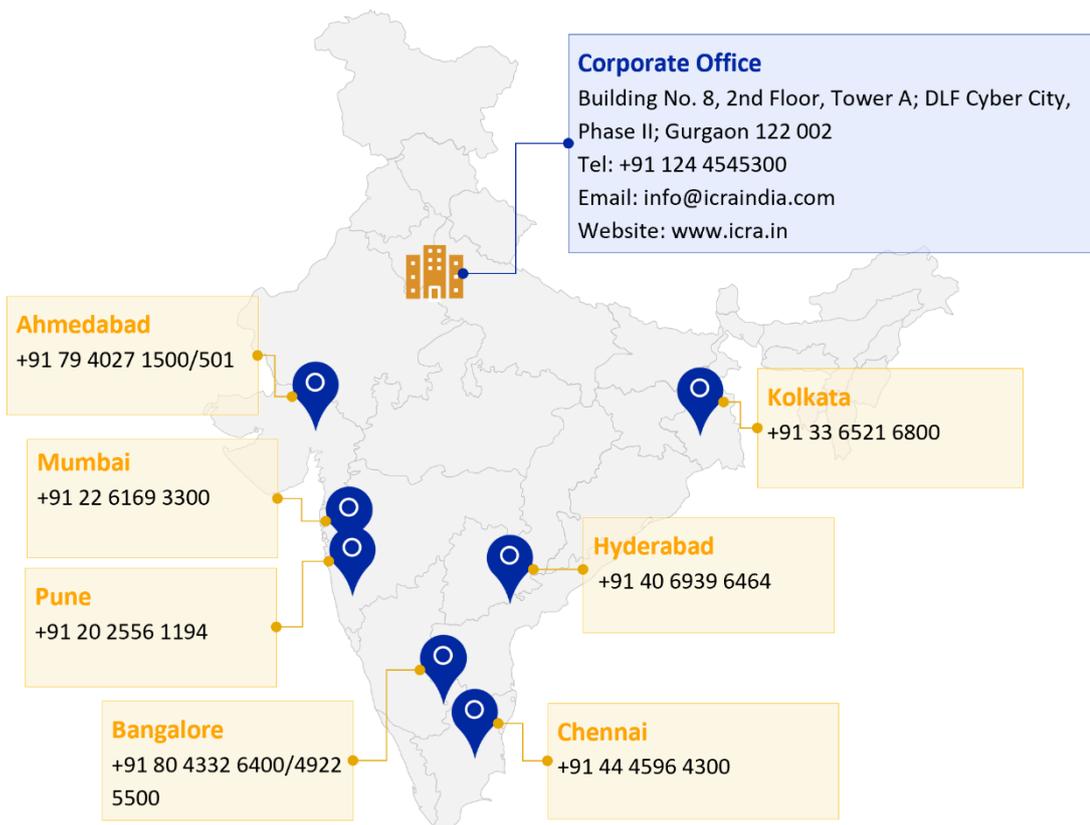
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