

India Ratings Rates Beekay Steel Industries's Bank Loan Facilities at 'IND A'/Stable; Affirms Existing Rating

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India Ratings and Research (Ind-Ra) has taken the following rating actions on Beekay Steel Industries Limited's (BSIL) bank loan facilities:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Watch	Rating Action
Bank loan facilities	-	-	-	INR4,230	IND A/ Stable/IND A1	Affirmed
Bank loan facilities	-	-	-	INR610	IND A/Stable	Assigned

Analytical Approach

Ind-Ra continues to take a consolidated view of the business and financial profile of BSIL, its wholly owned subsidiary Beekay Utkal Steel Private Limited (BUSPL; fully consolidated) and its associate company, AKC Steel Industries Limited (partially consolidated) for the rating purpose, because of the operational and strategic linkages between the entities, as evident from BSIL's plans to set up a steel plant through BUSPL in Kalinganagar, and the presence of common promoters on the board.

Detailed Rationale of the Rating Action

The ratings reflect BSIL's EBITDA stability emanating from the conversion business, adequate liquidity position and comfortable credit metrics. Furthermore, while the company's subdued operational performance in 1HFY26 led to a moderation in credit metrics, Ind-Ra expects the leverage levels to recover in 2HFY26 on the back of a likely recovery in the operational performance. The recovery in operations is likely to be supported by the commercialisation of BSIL's Cuttack unit in 2QFY26 and a likely increase in the conversion volumes, which would help reduce volatility in EBITDA and generate stable cash flows. The ratings are, however, constrained by the volatility in raw material prices and customer concentration risk.

List of Key Rating Drivers

Strengths

- Operational performance likely to recover from 2HFY26 after subdued 1HFY26
- Conversion business underpins margin stability and continues to drive steady cash flows
- Comfortable credit metrics

Weaknesses

- Price volatility risk
- Customer concentration risk

Detailed Description of Key Rating Drivers

Operational Performance likely to Recover from 2HFY26 After Subdued 1HFY26: While BSIL maintained a steady revenue profile in 1HFY26, its operational EBITDA was impacted during the period, due to the following factors: (i) dip in conversion volumes in 1QFY26 following a temporary plant shutdown by a key customer, Tata Steel Limited (TSL; 'IND AAA'/ Stable/'IND A1+') for planned maintenance; (ii) dip in realisations in the own manufacturing segment; and (iii) limited overhead absorption in the Cuttack unit due to lower capacity utilisation. During 1HFY26, the company recorded revenue of INR5,485 million (FY25: INR10,764 million; FY24: INR10,005 million) and operational EBITDA of INR383 million (INR1,231 million; INR1,366 million).

BSIL's total sales volumes stood at 2,77,834 metric tonnes (MT) in 1HFY26 (FY25: 6,63,763MT; FY24: 6,44,978MT). The sales volumes from its own-manufactured segment stood at 58,689MT in 1HFY26 (FY25: 1,14,504MT; FY24: 1,21,789MT); the segment's sales volumes are likely to range between 1,00,000-1,20,000MT in FY26.

BSIL has revamped and restarted the facilities in the Cuttack unit, wherein commercial production of sponge iron was commenced in December 2024. Operations in the ferro alloys, power plant, rolling mill and steel melting shop (SMS) units commenced in 2QFY26. Given the Cuttack unit's location, which provides a logistical advantage, and restarting of its operations, the scale of operations is likely to increase in the near-to-medium term; furthermore, the available land could be used for future capacity expansions. The ramp-up of capacity at its Cuttack plant, and sustained demand from the construction, automobile, railways and infrastructure sectors are likely to drive BSIL's revenue and EBITDA growth over the medium term.

Conversion Business Underpins Margin Stability and Continues to Drive Steady Cash Flows: The agency expects the conversion business, which caters to only one customer, TSL, to continue to provide margin stability and adequate cash flow generation to BSIL. The sales volume of BSIL's conversion business will continue to grow in 2HFY26 and beyond, particularly from the Jamshedpur unit, driven by renewed contracts for additional requirements from its top customers. Furthermore, the Parwada unit, which earlier had a mix of conversion business and own manufacturing business, has shifted to 100% conversion business for TSL from September 2025.

The conversion business, which offers steadier margins compared to the manufacturing segment, accounted for approximately 21.1% of BSIL's total sales volumes in 1HFY26 (FY25: 17.3%; FY24: 18.9%), and has been providing stability to the company's revenue and EBITDA. This segment also reduces the company's working capital requirements, as the raw material is supplied by the principal agent and is not held on BSIL's balance sheet. As a conversion agent, BSIL converts billets supplied by the principal into TMT bars and receives fixed conversion charges as per the agreement. In 1HFY26, the conversion volumes stood at 2,19,444MT (5,49,259MT; 5,23,189MT). Revenue from the conversion business increased to INR2,326 million in FY25 (FY24: INR2,297 million; FY23: INR1,789 million).

Comfortable Credit Metrics: Ind-Ra expects BSIL's credit profile to remain comfortable over FY26-FY27, in absence of any significant debt-funded capex. The company's subdued operational performance weighed on its credit metrics in 1HFY26, with interest coverage (EBITDA/ gross interest expense) of 3.86x (FY25: 7.04x; FY24: 11.61x) and gross leverage (gross debt/ operating EBITDA) of 3.88x (2.43x; 1.80x). On a full year basis, the interest coverage is likely to remain around 7x and gross leverage is likely to remain below 3.0x, backed by a likely recovery in operational performance in 2HFY26.

In 1HFY26, BSIL's debt stood at INR2,977 million (FY25: INR2,992 million; FY24: INR2,460 million), of which 69% was in the form of working capital borrowings, 25% in the form of term debt, and the balance in the form of unsecured loans and lease liabilities. The management has indicated plans to repay the unsecured loans over the medium term.

Price Volatility Risk: As a non-integrated player, BSIL's manufacturing business is susceptible to volatility in the prices of raw material and finished goods. In the conversion business, the company can pass on fluctuations in input costs to customers, leading to relatively stable gross margins, though the adjustment occurs with a time lag. In contrast, the conversion business generates fixed charges, insulating it from price volatility. Ind-Ra believes that the conversion business will continue to mitigate the volatility in margins of the manufacturing segment.

Customer Concentration Risk: TSL's group entities contributed approximately 23.13% to BSIL's revenue in FY25 (FY24: 25.63%). However, given the length of the relationships and renewal of agreements with additional capacities, the agency expects the conversion contracts to continue to be rolled over. Moreover, the strong credit background of BSIL's counterparties has enabled it to maintain low provisioning for receivables.

Liquidity

Adequate: BSIL's average utilisation of the fund-based and non-fund-based limits was 78.4% and 19.8%, respectively, over the 12 months ended September 2025. Ind-Ra expects the utilisation to have remained at similar levels in October 2025. Its non-fund-based limits largely comprise bank guarantees given against the inventory held for the conversion business. The company has repayment obligations of INR190.5 million each in FY26 and FY27.

As of September 2025, BSIL had unencumbered cash and liquid investments of INR869.2 million (FY25: INR611.6 million; FY24: INR1,218.8 million). In FY25, the company earned cash flow from operations and free cash flow of INR1,294 million (FY24: INR1,175 million) and INR186 million (negative INR422 million), respectively. Furthermore, its debt service coverage ratio is likely to remain comfortable in the range of 3.0x-5.0x during FY26-FY27. BSIL's net working capital cycle stood at 122 days as at 1HEFY26 (FYE25: 131 days; FYE24: 127 days). The company does not have any capital market exposure and relies on banking channels to meet its funding requirements.

Rating Sensitivities

Positive: A substantial improvement in the business profile and/ or an improvement in the size and scale of operations while maintaining the credit profile, could lead to a positive rating action.

Negative: Any fall in the revenue growth, leading to lower EBITDA, or a new debt-funded capex, and/or slower-than-expected ramp-up of the Cuttack unit, leading to the gross leverage remaining above 3.00x, on a sustained basis, could lead to a negative rating action.

Any Other Information

Not applicable

About the Company

Incorporated in 1981, BSIL is the flagship company of the Beekay Group. The company has eight steel product manufacturing units across Jamshedpur (Jharkhand), Chengalpeta (Tamil Nadu) and Vizag (Andhra Pradesh). It specialises in the manufacturing of different types of long products of mild and special steel such as TMT bars, pipes and structures, that are used in the automobile, infrastructure and heavy engineering industries. It is also engaged in galvanisation of structures.

Key Financial Indicators

Particulars	1HFY26	FY25	FY24
Revenue (INR million)	5,485	10,764	10,005
EBITDA (INR million)	383	1,230	1,366
EBITDA margin (%)	7.0	11.4	13.7
Interest Coverage (x)	3.86	7.04	11.61
Net leverage (x; net debt/ EBITDA)	2.75*	1.94	0.91
*Annualised; Source: BSIL; Ind-Ra			

Status of Non-Cooperation with previous rating agency

Rating History

Instrument Type	Current Rating Outlook			Historical Rating/ Outlook			
	Rating Type	Rated Limits (in million)	Rating	1 December 2025	2 September 2024	22 September 2023	27 June 2023
Bank loan facilities	Long-term/ short-term	INR4,840	IND A/ Stable/ IND A1	IND A/ Stable/ IND A1	IND A/ Stable/ IND A1	-	IND A/ Stable/ IND A1
Issuer rating	Long-term	-	-	-	-	WD	IND A/ Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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