



Press Release

Agrasen Ispat Private Limited

May 24, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	35.63 (enhanced from 29.50)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short-Term Bank Facilities	8.46 (enhanced from 4.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	44.09 (Rupees forty-four crore and nine lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities Agrasen Ispat Private Limited (AIPL) considers the common management, close operational & financial linkages between AIPL, Hindustan Loha Limited (HLL), Pushpganga Minerals LLP (PML), Shree Shakti Iron & Alloys Pvt. Ltd (SSIAPL) and newly included M/s Black Gold Minerals (BGM) commonly referred as Agrasen Group (Trading). While reaffirming the ratings, Infomerics has taken a combined view of these entities. The reaffirmation in the ratings assigned to the bank facilities of AIPL continues to derive comfort from the parentage of the Agrasen group, strong support from group synergy and established marketing arrangements of the group with reputed clientele. Further, the ratings also consider stable financial risk profile of the Agrasen group (Trading) marked by its moderate capital structure with moderate debt protection metrics. However, these rating strengths remain constrained due to exposure to intense competition, thin profit margin, working capital intensive nature of its operations and exposure to cyclicity in steel industry.

Key Rating Sensitivities:

Upward factors

- Substantial and sustained growth in operating income, operating margin, and cash accrual.
- Improvement in the capital structure with improvement in the debt protection metrics.
- Manage working capital requirements efficiently with improvement in liquidity position



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Downward Factors

- Moderation in operating income and cash accrual impacting the debt protection metrics on a sustained basis.
- Moderation in the capital structure with deterioration in the overall gearing to over 2x
- Moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Parentage of the Agrasen group and strong support from group synergy

The Agrasen group is founded by one Agrawal family of Raipur, Chhattisgarh. The promoters has vast experience in the manufacturing and trading of steel products through various companies under its fold.

Established marketing arrangements with stable operating performance

The Agrasen group has its own established marketing arrangements with various steel products dealers on the back of its more than a decade long operation in the steel trading/manufacturing segment. With an established presence, the combined total operating income of the trading companies of the group improved from Rs.1099.57 crore in FY21 to Rs.1340.17 crore in FY22 on account of increase in volume sales as well as in sales realization. Further, the Agrasen Group (Trading) is estimated to achieve a revenue of ~Rs.1824 crore in FY23.

Reputed clientele

The trading companies of the Agrasen Group are empaneled vendors of large companies like, L&T, Indian Railways, GAIL, BHEL, ONGC and NALCO among others and supplies varied grades of iron and steel products.

Stable financial risk profile marked by moderate capital structure and moderate debt protection metrics

The capital structure of the group continues to remain moderate with moderation in overall gearing due to rise in bank borrowings and availment of GECL. Further, total indebtedness of the group marked by TOL/TNW moderated to 3.17x as on March 31,2022. With rise in absolute EBITDA, interest coverage ratio has improved and remained moderate at 1.82x in



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FY22 against 1.74x in FY21. However, Total debt to EBITDA, though improved with higher cash accrual, remained moderate at 6.82x as on March 31, 2022.

B. Key Rating Weaknesses

Exposure to intense competition

Steel trading operations are highly competitive due to presence of many organized and unorganized players in the industry which restrict the profitability and pricing flexibility of the Agrasen group (Trading) to a large extent.

Thin profit margin

The trading entities of the Agrasen group operate with a thin margin due to less value additive nature of their operations and intense competition in the operating spectrum. The EBITDA margin of the group remained thin and range bound between 1- 2% and the PAT margin remained below 1% over the last three years.

Working capital intensive nature of operations

The operations of the group are working capital intensive. However, the group has satisfactory working capital management.

Cyclicality in steel industry

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on the group's performance in view of its direct linkage to the fortunes of Steel industry.

Analytical Approach: Combined

For arriving at the rating, Infomerics has combined the financial risk profiles of Agrasen Ispat Private Limited, Hindustan Loha Limited, Pushpganga Minerals LLP, Shree Shakti Iron & Alloys Pvt. Ltd and M/s Black Gold Minerals commonly referred as Agrasen group (Trading) as these entities are under a common management and have strong operational linkages and cash flow fungibility.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)



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Liquidity: Adequate

The Agrasen group (Trading) had generated a gross cash accrual of ~ Rs.8.91 Cr in FY22 as against repayment obligation of Rs.4.08 crore. Further, the group is also expected to generate steady cash accrual over the near medium term within the range of Rs. 13.63 crore to Rs.15.16 crore against its repayment obligation of Rs.7.38 crore to Rs. 7.87 crore during FY24- FY25. Further, the group has moderate gearing headroom. However, the resourcefulness of the promoters of Agrasen group is also expected to support the liquidity of the group.

About the Company

Incorporated in 2007, Raipur, Chhattisgarh based Agrasen Ispat Private Limited (AIPL) is a part of Agrasen Group and is engaged in trading of MS Channel, MS Beam/Joist, and RSJ poles, TMT Bars, Round Bars, HR Coils, Pipes, Rails and other Steel Products. The company has also started trading of imported coal from April 2018 onwards. AIPL has 5 godowns, one in Raipur and four in Navi Mumbai and has branch offices in Mumbai, Indore, Rajasthan, Allahabad and Hyderabad.

Presently, AIPL is managed and operated by the Agrawal family of the Agrasen Group of Raipur having an experience of over 15 years in the steel industry. With integrated manufacturing facilities, the group has presence in sponge iron, billet and rolled products. Currently, the operations of the company are looked after by a five-member Board of Directors, who are members of the Agrawal family and have adequate experience in the sector.

About the Group

The Agrasen group is founded by the Agrawal family of Raipur, Chhattisgarh. The group has vast experience in the manufacturing and trading of steel products through various companies under its fold. Currently, the Agrasen group has two business verticals – Trading and Manufacturing. Under manufacturing vertical, the group is engaged in manufacturing of steel wires, Ms. Ingot, Billets and steel rolled products. Under trading vertical the group is engaged in trading of various steel products, minerals and coal.

Financials (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Combined	Combined
Total Operating Income	1099.57	1340.17
EBITDA	16.43	23.40



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PAT	6.35	8.65
Total Debt	122.91	159.50
Tangible Net worth	53.24	56.49
Tangible Net worth (including quasi equity)	67.87	71.47
EBITDA Margin (%)	1.49	1.75
PAT Margin (%)	0.58	0.64
Overall Gearing Ratio (x)	1.81	2.23
Interest Coverage Ratio (x)	1.74	1.82

*Classification as per Infomerics' standards.

Financials of Agrasen Ispat Private Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	188.00	198.66
EBITDA	3.73	5.18
PAT	1.63	1.98
Total Debt	30.88	47.05
Tangible Net worth	21.25	19.91
Adjusted Tangible Net worth	27.09	25.74
EBITDA Margin (%)	1.98	2.61
PAT Margin (%)	0.86	0.99
Overall Gearing Ratio (x)	1.14	1.83
Interest Coverage Ratio (x)	1.08	1.34

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Edge Ratings has kept the rating of AIPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the last Press Release dated August 09, 2022.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	29.50	IVR BBB-; Stable	IVR BBB-; Stable (April 04, 2022)	IVR BB+; Issuer Not Cooperating (Oct 14, 2021)	IVR BBB- / Positive (July 21, 2020)



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
						2021)	
2.	GECL	Long Term	6.13*	IVR BBB-; Stable	-	-	-
3.	Overdraft	Short Term	3.04	IVR A3	-	-	-
4.	EDFS	Short Term	1.42	IVR A3	-	-	-
5.	Bank Guarantee	Short Term	4.00	IVR A3	IVR A3 (April 04, 2022)	IVR A4+; Issuer Not Cooperating (Oct 14, 2021)	IVR A3/ Positive (July 21, 2020)

***Outstanding as on November 30, 2022**

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	29.50	IVR BBB-; Stable
Long Term Fund Based Limits – GECL	-	-	Dec 2026	6.13	IVR BBB-; Stable
Short Term Non-Fund Based Limits – BG	-	-	-	4.00	IVR A3
Short Term Fund Based Limits – OD	-	-	-	3.04	IVR A3
Short Term Fund Based Limits – EDFs	-	-	-	1.42	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-AIPL-may23.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Agrasen Ispat Private Limited	Full Consolidation
Hindusthan Loha Limited	Full Consolidation
Shree Shakti Steel & Alloys Pvt Ltd	Full Consolidation
Pushpganga Minerals LLP	Full Consolidation
Black Gold Minerals	Full Consolidation

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.