



## Press Release

### Agrasen Ispat Private Limited

January 08, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	34.37 (Reduced from 35.63)	IVR BBB-; Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	8.46	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>42.83</b> <b>(Rupees forty-two crore and eighty- three lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

For arriving at the ratings, Infomerics has combined the financial risk profiles of Agrasen Ispat Private Limited, Hindustan Loha Limited, Pushpganga Minerals LLP, M/S Shree Shakti Iron & Alloys Pvt. Ltd and M/s Black Gold Minerals referred as Agrasen group (Trading) as these entities are under a common management and have strong operational linkages and cash flow fungibility. The reaffirmation of the rating assigned to the bank facilities of Agrasen Ispat Pvt Ltd 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 group has vast experience in the manufacturing and trading of steel products through various companies under its fold. The Agrawal family started their business operations with trading of steel products and gradually ventured in manufacturing operations in 2002. 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. Engagement in both manufacturing and trading operations provides strong operational synergy to the group companies.

- **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.1340.17 crore in FY22 to Rs.1497.52 crore in FY23 on account of increase in volume sales as well as sales realization.

- **Reputed clientele**

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

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



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The combined tangible net worth including quasi equity stands at Rs.91.90 crore as on March 31, 2023. Long term debt to Equity and Overall gearing based on tangible net worth including quasi equity remained moderate at 0.32x and 2.09x respectively as on March 31, 2023 (0.50x and 2.25x respectively as on March 31, 2022). The improvement in capital structure is due to accretion of profit to reserves. With improved absolute EBITDA, interest coverage ratio has improved and remained moderate at 1.85x in FY23 against 1.82x in FY22. Further, Total debt to EBITDA also remained moderate at 6.08x as on March 31, 2023.

### 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.

- **Cyclicity 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 referred as Agrasen group (Trading) as these



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entities are under a common management and have strong operational linkages and cash flow fungibility. The list of companies considered for consolidation are given in Annexure 2.

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria on Consolidation of Companies](#)

[Criteria of assigning rating outlook](#)

[Criteria on Default Recognition](#)

### **Liquidity – Adequate**

The Agrasen group (Trading) had generated a gross cash accrual of ~ Rs.11.46 Cr in FY23 as against repayment obligation of Rs.11.26 crore. Further, the group is also expected to generate steady cash accrual over the near medium term within the range of Rs.14.27 crore to Rs.17.95 crore against its repayment obligation of Rs.5.62 crore to Rs. 7.64 crore during FY24- FY26. 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 Entity**

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 one Agrawal family of Raipur, Chhattisgarh. The group has vast experience in the manufacturing and trading of steel products through various



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companies under its fold. The Agrawal family started their business operations with trading of steel products and gradually ventured in manufacturing operations in 2002. 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):

	(Rs. crore)	
For the year ended / As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1340.17	1497.52
EBITDA	23.40	31.52
PAT	8.65	11.04
Total Debt	160.60	191.66
Tangible Net worth	56.49	72.13
Tangible Net worth (including quasi equity)	71.47	91.90
EBITDA Margin (%)	1.75	2.10
PAT Margin (%)	0.64	0.74
Overall Gearing Ratio (including quasi equity)	2.25	2.09

\*Classification as per Infomerics' standards

### Financials (Standalone):

	(Rs. crore)	
For the year ended / As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	198.66	179.17
EBITDA	5.18	6.23
PAT	1.98	1.99
Total Debt	47.05	37.14
Tangible Net worth	19.91	21.92
Tangible Net worth (Including quasi equity)	25.74	27.75
EBITDA Margin (%)	2.61	3.48
PAT Margin (%)	0.99	1.10
Overall Gearing Ratio (including quasi equity)	1.83	1.34

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** The ratings of Agrasen Ispat Private Limited continue to remain under Issuer Not Cooperating category by CARE Edge Ratings as per Press Release dated September 14, 2023 due to unavailability of information.

**Any other information: Nil**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	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 (May 24, 2023)	IVR BBB-; Stable (April 04, 2022)	IVR BB+; INC Stable (October 14, 2021)	IVR BBB-; Positive (July 21, 2020)
2.	GECL	Long Term	4.87*	IVR BBB-; Stable	IVR BBB-; Stable (May 24, 2023)	-	-	-
3.	Overdraft	Short Term	3.04	IVR A3	IVR A3 (May 24, 2023)	-	-	-
4.	EDFS	Short Term	1.42	IVR A3	IVR A3 (May 24, 2023)	-	-	-
5.	Bank Guarantee	Short Term	4.00	IVR A3	IVR A3 (May 24, 2023)	IVR A3 (April 04, 2022)	IVR A4+; INC (October 14, 2021)	IVR A3 (July 21, 2020)

\*Outstanding as on 30.09.2023

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	29.50	IVR BBB-; Stable
GECL	-	-	Dec 2026	4.87*	IVR BBB-; Stable
Overdraft				3.04	IVR A3
EDFS				1.42	IVR A3
Bank Guarantee				4.00	IVR A3

### Annexure 2: List of companies considered for consolidated analysis:

Name of the Entities	Consolidation Approach
Agrasen Ispat Pvt Ltd	Full Consolidation
Pushpganga Minerals LLP	Full Consolidation
Hindustan Loha Limited	Full Consolidation
Shree Shakti Iron & Alloys Pvt. Ltd	Full Consolidation



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Black Gold Minerals	Full Consolidation
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**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Agrasen-Ispat-jan24.pdf>

**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](http://www.infomerics.com).

