Press Release

Amar Partap Steels Private Limited

November 15, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	63.70	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
	Total	**63.70**	**Rupees Sixty Three Crore and Seventy Lakhs Only**			

Details of Facilities are in Annexure 1
Facility wise lender details are at Annexure 2
Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable Outlook, for the bank loan facilities of Amar Partap Steels Private Limited (APSPL).

The rating draw comfort from its extensive industry experience and leadership of the promoters, agreement with Kamdhenu Limited to market NXT Bars, efficient working capital management. However, these rating strengths are partially offset by average financial risk profile, thin profitability margins, impact of fluctuation in raw material prices on profitability, fragmented and commoditized market due to intense competition, exposure to cyclicality in iron and steel industry.

The 'Stable' outlook reflects the experience of the promoters, a long track record of operations, and sustained demand for the products over the near to medium term.

IVR has principally relied on the standalone audited financial results of APSPL's up to 31 March 2024 (refers to period from 1st April 2023 to 31st March 2024) and projected financials from FY2025 to FY2027, and publicly available information/clarifications provided by the company's management.

Upward factors

- Significant improvement in TOI above Rs.1150.00 crore with improvement in profitability margins.
- Improvement in overall gearing ratio below 1.75x and similarly, improvement in debt protection metrics.

Downward factors

- Substantial decline in the revenue and profitability margins.
- Decline in the debt protection metrics and/or liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive industry experience and leadership of the promoters:**
  Mr. Jaswant Singh, the key promoter of Amar Partap Steels Private Limited, brings over four decades of industry experience to his role, where he is indulged in making pivotal decisions for the company. He is supported by his sons, Mr. Gurmukh Singh and Mr. Dharamveer Singh, both of whom serve as directors. With approximately twenty years of experience each in the iron and steel sector, they manage the company's overall business and operations. The extensive industry experience of the Singh family has facilitated the development of a good network of industry contacts and established strong relationships with customers, underscoring the company's competitive position. The leadership at Amar Partap Steels reflects the dynamic vision of its founders, guided by their profound expertise in the steel industry. The directors are backed by a team of qualified staff and a dedicated workforce, ensuring effective management and operational excellence.

- **Agreement with Kamdhenu Limited to market NXT Bars:**
  APSPL has entered into an agreement with Kamdhenu Limited to market its NXT Bars under the esteemed brand name 'Kamdhenu Saria.' This strategic partnership allows APSPL to capitalize on Kamdhenu Limited’s established market presence. APSPL supplies finished products directly to the dealers and distributors of Kamdhenu Limited in Rajasthan. With a good network of approximately 8,500 dealers and distributors nationwide, Kamdhenu Limited offers a well-established market for these products, as demonstrated by the expanding scale of operations.

- **Efficient working capital management:**
  The efficient working capital management of the company is marked by operating cycle of 24 days in FY2024 as compared to 14 days in FY2023 driven by low average collection period of 20 days in FY2024 as against 11 days in FY2023 since the company majorly sells to the repeated clientele and follows an efficient collection mechanism. The average inventory holding period stood at 23 days in FY2024 and average creditors’ period stood at 19 days in FY2024.

Key Rating Weaknesses

- **Average financial risk profile:**
  In FY2024, the financial risk profile and debt protection metrics remained moderate. The overall gearing ratio and the total debt to net worth ratio (TOL/TNW) were moderate at 3.40x and 5.57x, respectively, compared to 2.80x and 5.54x in FY2023. The increase in these ratios is attributed to an increase in total debt. Additionally, the debt protection metrics also stood at moderate, with the debt service coverage ratio (DSCR) and interest service coverage ratio (ISCR) standing at 1.70x and 2.75x, respectively, in FY2024.

- **Thin profitability margins:**
  The company's total operating income (TOI) has seen a modest increase, improved from Rs. 994.43 crore in FY2023 to Rs. 1010.25 crore in FY2024, attributed to increased sales volume despite the decline in average sales realization price. However, despite this revenue growth, profitability margins remained thin in FY2024. The EBITDA margin improved marginally from 1.27% in FY2023 to 1.78% in FY2024 but remains relatively thin. Similarly, the PAT margin improved from 0.43% in FY2023 to 0.61% in FY2024, though it remains constrained by high expense and interest costs.

- **Impact of fluctuations in raw material prices on profitability:**
  The company’s operations remain raw material intensive as the main raw material is MS Billet. APSPL profitability thus remains vulnerable to raw material price fluctuations. Further, absence of captive sources of raw materials further exposes it to fluctuations in raw material prices compared to integrated players. Although prices normally reflect changes in the cost of raw materials, there may be short-term discrepancies in the prices of raw materials and finished goods, which could cause margins to fluctuate.

- **Fragmented and commoditized market due to intense competition, exposure to cyclicality in iron and steel industry:**
  The steel product manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent high competition, which limits the pricing flexibility of the players. Steel prices are volatile as it depends on global prices and sentiments of the product consuming sectors. The domestic iron and steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including APSPL.

Analytical Approach: For arriving at the ratings, IVR has analysed APSPL’s credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

APSPL's liquidity position is Adequate marked by gross cash accruals of Rs.8.19 crore in FY2024 as against Rs.2.13 crore of repayment obligation. The company has a current ratio of 1.14x in FY2024. Moreover, the company is expected to generate cash accruals in the range of Rs.12.42 crore to Rs.18.48 crore as against its repayment debt obligation in the range of Rs.5.81 crore to Rs.4.07 crore during FY2025-2027.

About the Company

Amar Partap Steels Private Limited, established in 2004, is a leading steel manufacturer based in Jaipur, Rajasthan. With a production capacity of 7,500 MT per month, the company operates a facility designed to meet the growing demand for high-quality rebars in the Indian market. The company's operations are underpinned by a dedicated melting shop that produces superior ingots for rolling, ensuring adherence to stringent quality standards. The production plant is equipped with modern machinery, advanced testing, and quality assurance facilities. This infrastructure supports a team of skilled and experienced professionals who are committed to delivering excellence.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	994.43	1010.25
EBITDA	12.62	18.01
PAT	4.23	6.14
Total Debt	63.12	106.05
Tangible Net worth	22.52	31.16
EBITDA Margin (%)	1.27	1.78
PAT Margin (%)	0.43	0.61
Overall Gearing Ratio (x)	2.80	3.40
Interest Coverage Ratio (x)	2.79	2.75

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	63.70	IVR BBB- /Stable	-	-	-

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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).

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.

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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
Term Loan – I	-	-	February 2028	2.77	IVR BBB-/Stable
Term Loan – II	-	-	April 2028	3.86	IVR BBB-/Stable
GECL	-	-	October 2026	6.07	IVR BBB-/Stable
Cash Credit	-	-	-	41.00	IVR BBB-/Stable
Dropline Overdraft	-	-	-	10.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Amar-Partap-nov24.pdf

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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 Complexity Level of Rated Instruments/Facilities.