



Press Release

M/s Ispat India

May 16, 2023

Ratings

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities	73.53 (enhanced from 26.33)	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	Reaffirmed	Simple
Total	73.53 (Rupees Seventy three crore and fifty three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

For arriving at the rating, earlier Infomerics had combined the financials of M/s Ispat India, Agrawal Channel Mills Private Limited (ACMPL), Devi Iron & Power Private Limited (DIPPL), Hindustan Coils Limited (HCL), Mahamaya Sponge Iron Private Limited (MSPL) and M/s Om Sponge (OS) together referred as Agrasen Group since these entities are formed by a common promoter family, share common management team and have operational & financial linkages. However, from FY23, ACMPL ceased to be a part of Agrasen Group as the promoters have sold the stake in the company and presently has no common director in ACMPL. Moreover, the promoters of the Agrasen Group have established M/s Topper Wire and Fastners (TWF) in FY23. Hence, presently for arriving at the ratings, Infomerics has combined the operational and financial risk profiles of M/s Ispat India, DIPPL, HCL, MSPL, OS and newly included TWF together referred as Agrasen Group. The reaffirmation of ratings assigned to the bank facilities of M/s Ispat India continues to derive comfort from parentage of the Agrasen group and strong support from group synergy, agreement with Kamdhenu Limited (KL) along with established relationship of the Agrasen Group with KL, semi-integrated nature of operation of the group supported by locational advantage of the manufacturing units and established marketing arrangements. Further, the ratings also consider stable operational performance of the Agrasen Group with improvement in its top line and profit margins in FY22 and in FY23 (estimated), moderate capital structure coupled with healthy debt protection parameters. However, these rating strengths continues to remain constrained due to susceptibility of its operating margin to volatility in raw material



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prices, presence in highly competitive & fragmented industry and exposure to cyclicalities in the steel industry.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operation and improvement in profitability with over 7% EBITDA margin
- Improvement in the capital structure and/or improvement in the debt protection metrics
- Efficient working capital management with improvement in its average cash credit utilisation to below 90% on a sustained basis

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Deterioration in the capital structure with moderation in the overall gearing to more than 1.50x
- Moderation in liquidity position

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 steel and steel products manufacturing and trading segment 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 and consequently has more than one and half decades of experience in manufacturing steel products. Currently, the Agrasen group has two business verticals – Trading and Manufacturing. All the companies of the group gained from strong operational synergies among the group companies and enjoys better competitive power.

- **Locational advantage**

The manufacturing facilities of all the group entities is located in Raipur, Chhattisgarh which is known as steel hub and is in close proximity to various manufacturers of sponge iron, pig iron and iron scrap, the main raw materials for manufacturing of its products. Accordingly, availability and sourcing of raw materials is not an issue for the entities.



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- **Semi-integrated nature of operation of the group**

The operations of the Agrasen group are semi-integrated with manufacturing facilities of both intermediate products like sponge iron, billets and end products like TMT bars, wires, structural, coils, tubes. Further, around 70-75% of sponge iron produced by DIPPL is procured by HCL and II. Moreover, under DIPPL, the group has access to an iron ore mine with around 8-10 crore tonnes reserve spread over an area of about 400 Hectare. However, the mining operation is expected to start soon and pending for regulatory clearances.

- **Agreement with Kamdhenu Limited (KL) along with established relationship of the Agrasen Group with KL**

The Agrasen group has an established relationship with KL, as the group is manufacturing steel wires in Hindusthan Coils Ltd under the brand “Kamdhenu” under franchise agreements with KL. Besides, under M/s Ispat India the group has entered into a licensee agreement (last renewed on April 1, 2019) with KL to market its products under the brand name of “Kamdhenu”. As per the agreement, the firm needs to pay royalty fees for the use of “Kamdhenu” brand.

- **Established marketing arrangements**

KL had 75 units under its brand with a network consisting of more than 11,500 dealers and distributors. Further, 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. The use of in-place marketing arrangements of KL and the Agrasen group provide business advantage to the group as a whole.

- **Stable operational performance with improvement in top line and profit margins of the Group in FY22 and in FY23**

The operational performance of the group remained stable in FY22 and in FY23 with rise in total operating income (TOI) and absolute EBITDA though the profit margins witnessed marginal moderation due to rise in its key raw material prices. The combined TOI of the Agrasen Group (manufacturing division) improved to Rs.1944.33 crore in FY22 from Rs.1234.89 crore in FY21 with an y-o-y growth of ~57% driven by steady improvement in demand of its manufactured products (i.e. various steel products) leading to increase in sales volume coupled with improvement in average sales realization. With increase in total operating income of the group, absolute EBITDA also improved to Rs.97.01 crore in FY22 as compared to Rs. 79.18 crore in FY21. However, notwithstanding the increase in absolute



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EBITDA, EBITDA margin moderated from 6.41% in FY21 to 4.99% in FY22 mainly due to increase in raw material prices (mainly iron ore and coal). With dip in EBITDA margin, combined PAT margin also moderated from 2.10% to 1.78% in FY22. In FY23 (estimated), the group has achieved turnover of Rs.2501.36 crore with EBITDA margin of 4.51% and PBT margin of 2.03% respectively coupled with interest coverage at 2.69x.

- **Moderate capital structure and healthy debt protection parameters of the Group in FY22**

The financial risk profile of the Agrasen group continued to remain moderate marked by its moderate capital structure and healthy debt protection parameters. The capital structure of the group moderated with long term debt equity ratio and overall gearing at 0.77x and 1.48x respectively as on March 31, 2022 as compared to debt equity ratio at 0.67x and overall gearing at 1.17x respectively as on March 31, 2021. The moderation in capital structure is due to increase in term loans and bank borrowings during the year. However, with improved EBITDA, the debt protection metrics marked by interest coverage continued to remain satisfactory at 2.91x in FY22. However, Total debt to EBITDA and Total debt to GCA stood moderate at 3.98x and 7.27 years respectively as on March 31, 2022. The capital structure and debt protection metrics are estimated to improve in FY23.

Key Rating Weaknesses:

- **Susceptibility of profitability to volatile input prices**

The cost of raw materials (i.e., sponge iron, pig iron and scrap) is the largest component of total cost of sales of steel products. Given that the prices of raw-materials are volatile in nature, the group's profitability is susceptible to fluctuation in raw-material prices. However, the Agrasen group had acquired controlling stake in DIPL in FY17 which has a sponge iron manufacturing capacity of 90000 MTPA. Further, the group has acquired MSIPL and OS having a sponge iron manufacturing capacity of 30000 MTPA each, during FY19 which is also expected to support its overall sponge iron requirement and boost its profitability going forward.

- **Presence in highly competitive & fragmented industry**

The spectrum of the steel industry in which the group operates is highly fragmented and competitive due to presence of numerous players in India owing to relatively low entry barriers. Hence, the players in the industry do not have pricing power and are exposed to the prices fixed by the industry giants.

- **Exposure to cyclicity in Steel Industry**



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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 firm's performance in view of its direct linkage to the fortunes of Steel industry. However, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recent past, coupled with robust demand in the domestic market.

Analytical Approach: Combined

Hence, for arriving at the ratings, Infomerics has combined the financials operational and financial risk profiles of M/s Ispat India, Devi Iron & Power Private Limited, Hindustan Coils Limited, Mahamaya Sponge Iron Private Limited, M/s Om Sponge and newly included M/s Topper Wire and Fastners. This is because these entities, now collectively referred to as the Agrasen group, are formed by a common promoter family, share common management team and have operational & financial linkages

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity position of the Agrasen group is expected to remain adequate characterized by expected sufficient cushion in its cash accruals vis-à-vis its repayment obligations. Further, the group has been earning a comfortable level of gross cash accruals for the last few years and the same is expected to increase further with the increase in scale of operations. Further, the overall gearing of the group also remained at 1.48x as on March 31, 2022 indicating sufficient gearing headroom.

About the Entity

M/s. Ispat India, a partnership firm was initially formed in August 2004 to manufacture M.S. Ingots in Raipur by Mr. Ashwini Gupta, Mr. Pritam Singh Kalash, Mr. Abhinandan Gupta and Mr. Vishal Sagar Behl. Later, In January 2016, M/s Ispat India was acquired by the promoters of the Agrasen group of Raipur, Chhattisgarh along with their relatives.

M/s. Ispat India, controlled by Raipur (Chhattisgarh) based the Agrasen group is engaged in manufacturing of MS Billet (Capacity: 59,000 MTPA), MS Strips (Capacity: 55,000 MTPA)



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and MS Pipe (Capacity: 55,000 MTPA). MS Ingots/Billets and strips are mainly used for captive consumption to produce rolled products (MS pipes/Tubes). The manufacturing facility of the firm is located in Raipur, Chhattisgarh. Presently, the firm is governed by the partnership deed dated April 1, 2019 with Mr. Yogesh Kumar Gupta, Mr. Narendra Gupta, Mr. Navneet Gupta, Mr. Sahil Singla, Mr. Kushan Garg, Mr. Nand Kishore Agrawal, Mrs. Gayatri Agrawal, Mrs. Suman Devi Agrawal, Mrs. Pratibha Agrawal, M/s. Jai Ambey Indocem Pvt. Ltd, Mr. Vinod Kumar Singla and Mr. Tarun Kumar Gupta as partners. Mr. Vinod Kumar Singla and Mr. Tarun Kumar Gupta has recently joined the business.

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. 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):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1234.89	1944.33
EBITDA	79.18	97.01
PAT	25.98	34.73
Total Debt	279.59	386.21
Tangible Net worth	238.21	270.19
Adjusted Tangible Net worth	249.86	285.59
EBITDA Margin (%)	6.41	4.99
PAT Margin (%)	2.10	1.78
Overall Gearing Ratio (x)	1.17	1.43
Interest Coverage Ratio (x)	2.91	2.91

*Classification as per Infomerics' standards.

Financials of M/s Ispat India (Standalone):

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited



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Total Operating Income	298.71	432.33
EBITDA	15.05	15.55
PAT	5.01	5.02
Total Debt	42.74	73.60
Tangible Net worth	30.45	27.16
EBITDA Margin (%)	5.04	3.60
PAT Margin (%)	1.67	1.15
Overall Gearing Ratio (x)	1.40	2.71
Interest Coverage Ratio (x)	2.93	2.15

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Edge Ratings has kept the rating of M/s Ispat India 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 September 30, 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	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	45.00	IVR A-; Stable	-	IVR A- / Stable (March 15, 2022)	IVR BBB+ / Stable (December 16, 2020)	IVR BBB+ / Stable (September 19, 2019)
2.	Term Loan	Long Term	23.12*	IVR A-; Stable	-	IVR A-; Stable (March 15, 2022)	IVR BBB+ / Stable (December 16, 2020)	IVR BBB+ / Stable (September 19, 2019)
3.	GECL	Long Term	5.41*	IVR A-; Stable	-	-	-	-

*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



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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	-	-	-	45.00	IVR A-; Stable
Long Term Fund Based Limits – Term Loan I	-	-	June-30	5.62	IVR A-; Stable
Long Term Fund Based Limits – Term Loan II	-	-	Mar-30	17.50	IVR A-; Stable
Long Term Fund Based Limits – GECL I	-	-	Nov-25	3.68	IVR A-; Stable
Long Term Fund Based Limits – GECL II	-	-	Oct-26	1.73	IVR A-; Stable

Annexure 2: Facility wise lender details:

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



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Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Ispat India	Full Consolidation
Hindustan Coils Limited	Full Consolidation
Devi Iron & Power Pvt Ltd	Full Consolidation
Mahamaya Sponge Iron Pvt Ltd	Full Consolidation
Om Sponge	Full Consolidation
Topper Wire and Fastners	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.