



Press Release

Agrasen Ispat Private Limited

April 04, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity indicator
1.	Long Term Bank Facilities	29.50	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+; Issuer Not Cooperating (IVR Double B Plus; Issuer Not Cooperating)	Simple
2.	Short Term Bank Facility	4.00	IVR A3 (IVR A Three)	Revised from IVR A4+; Issuer Not Cooperating (IVR A Four Plus; Issuer Not Cooperating)	Simple
	Total	33.50 (Rupees thirty- three crores and fifty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics has moved the rating assigned to the bank facilities of Agrasen Ispat Private Limited (AIPL) into issuer not cooperating category due to non-submission of information by the client. Now the client has duly submitted all the required information for a detailed review. Based on the same the ratings assigned to the bank facilities of AIPL has been revised and continues to derive comfort from the parentage of the Agrasen group, strong support from group synergy, 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 adequate debt protection metrics. However, these rating strengths remain constrained due to intense competition, thin profit margin, working capital intensive nature of operations and exposure to cyclicity in steel industry.

Key Rating Sensitivities

Upward Factors



Press Release

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

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.

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 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. Engagement in both manufacturing and trading operations provides strong operational synergy to the group companies. All these trading companies are largely interlinked with the manufacturing companies under the group and work as their procurement or sales counter parties.
- **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 improved from Rs.314.16 crore in FY18 to Rs.330.53 crore in FY19 on account of increase in volume sales as well as sales realization. Further, the total operating income rose to ~Rs.421.94 crore in FY20. During FY21, combined total



Press Release

operating income of the trading companies of the group improved on account of increase in volume sales as well as sales realization. Further, addition of revenue from M/S Shree Shakti Iron & Alloys Pvt. Ltd (SSIAPL) also aided the growth in revenue as it stood at Rs. 1099.57 crore in FY21 from Rs.421.94 crore in FY20. During 9M FY22, TOI of the group has increased by 26.18% y-o-y basis and stood at Rs.1262.70 crore.

- **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 with adequate debt protection metrics**

The combined adjusted tangible net worth of all the companies stands at Rs.66.09 crore as on March 31, 2021. Long term debt to Equity and Overall gearing based on adjusted tangible net worth remained moderate at 0.26x and 1.81x respectively as on March 31, 2021 (0.03x and 1.39x as on March 31, 2020). With improved absolute EBITDA, Interest coverage ratio has improved and remained moderate at 1.74x in FY21 against 1.54x in FY20. However, Total debt to EBITDA remained high at 7.48x as on March 31, 2021.

B. Key Weaknesses

- **Intense competition**

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

- **Thin profit margin**

The trading entities of the Agrasen group operates 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 2- 3% over the last three years. With the inclusion of SSIAPL in the consolidation, both absolute EBITDA and PAT has improved from Rs.12.08 crore and Rs.3.62 crore in FY20 to Rs.16.43 crore and Rs.4.01 crore in FY21. However, the EBITDA and PAT margin remained low and moderated further to 1.49% and 0.36% in FY21 against 2.46% and 0.85% of FY20 respectively.



Press Release

- **Working capital intensive nature of operations**

The operations of all the companies of the group are working capital intensive since the company needs to provide average credit period of around 3 months to its customers in view of intense competition in the industry. Further, it avails credit period of around one month from its suppliers. The group generally maintains inventory of only around 2-3 days as it can procure the inventory from its other group companies engaged in manufacturing operations at a short notice.

- **Exposure to cyclical nature 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: Consolidated Approach

For arriving at the rating, Infomerics has combined the financial risk profiles of Agrasen Ispat Private Limited, Hindusthan Loha Limited, Pushpganga Minerals LLP and Shree Shakti Iron & Alloys Pvt. Ltd referred as Agrasen group (Trading) as these entities are under a common management and have strong operational linkages and cash flow fungibility. (Details on companies are in Annexure 3)

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

Liquidity: Adequate

The group had generated a gross cash accrual of around Rs.4.23 Cr in FY21 as against Rs.0.20 crore repayment obligation. Further, the group is also expected to generate steady cash accrual over the near medium term within arrange of Rs. 9.68 crore to Rs. 11.70 crore against its repayment obligation of Rs.4.64 crore to Rs. 4.48 crore during FY22-24. Further, the group has adequate gearing headroom on the back of its satisfactory capital structure.

About the Company



Press Release

Incorporated in 2007, Raipur, Chattisgarh 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. 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.

Financials (Combined):

	(Rs. crore)	
For the year ended* / As On	31-03-2020	31-03-2021
	Combined	Combined
Total Operating Income	421.94	1099.57
Total Income	423.04	1101.63
EBITDA	12.08	16.43
PAT	3.62	4.01
Total Debt	63.81	122.91
Tangible Net worth including quasi equity	45.98	67.84
EBITDA Margin (%)	2.86	1.49
PAT Margin (%)	0.85	0.36
Overall Gearing Ratio (x)	1.39	1.81

**As per Infomerics' Standard*

Financials (Standalone):

(Rs. crore)



Press Release

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	175.13	188.00
Total Income	176.04	190.06
EBITDA	4.85	3.73
PAT	1.45	0.91
Total Debt	17.75	30.88
Tangible Networth including quasi equity	20.34	27.09
EBITDA Margin (%)	2.77	1.98
PAT Margin (%)	0.82	0.48
Overall Gearing Ratio (x)	0.87	1.14

*As per Infomerics' Standard

Status of non-cooperation with previous CRA:

CARE Ratings has maintained the rating of Agrasen Ispat Private Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated June 08, 2021.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	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	29.50	IVR BBB- / Stable Outlook	IVR BB+; Issuer Not Cooperating (October 14, 2021)	IVR BBB- / Positive Outlook (July 21, 2020)	-
2.	Bank Guarantee	Short Term	4.00	IVR A3	IVR A4+; Issuer Not Cooperating (October 14, 2021)	IVR A3 (July 21, 2020)	-

Name and Contact Details of the Rating Analyst:

Name: Ms. Nidhi Sukhani

Tel: (033) 46022266

Email: nsukhani@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics:



Press Release

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

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, suspend 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
Long Term Bank Facilities – Cash Credit	-	-	-	29.50	IVR BBB- / Stable Outlook
Short Term Bank Facility – Bank Guarantee	-	-	-	4.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-agrasen-apr22.pdf>



Press Release

Annexure 3: List of companies considered for consolidated analysis:

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

