

Agrasen Iron And Steels Private Limited

September 09, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	59.00 (Enhanced from 24.00)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	9.00 (Enhanced from 4.50)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	15.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Agrasen Iron and Steels Private Limited (AISPL) continue to draw comfort from its experienced promoters, growth in scale of operation in FY24 (refers to the period April 1 to March 31) albeit moderation in profitability margin and renowned suppliers and large network of customers though not very strong customer base.

The ratings, further take note of the change in shareholding in AISPL leading to lack of common shareholding with the promoters of Ironmart Private Limited (IPL).

The ratings, however, remain constrained by moderate capital structure and debt protection metrics, exposure of profitability to volatility in steel prices and fragmented nature of industry with many regional unorganized players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of scale of operations (with total operating income (TOI) above Rs.400 crore) and improvement in operating margin above 3.50% on a sustained basis.
- Improvement in capital structure with overall gearing below 1.25x on a sustained basis.

Negative factors

- Deterioration in overall gearing ratio above 2.0x on a sustained basis.
- Increase in operating cycle above 100 days on a sustained basis.

Analytical approach: Standalone

Earlier, CARE Ratings had carried out the rating exercise of AISPL on a combined basis, combining the financials of Ironmart Private Limited (IPL: incorporated in 2022) with AISPL, as both the companies were in same line of business under common management and shareholding, and had significant operational synergies. Further, as articulated by the management the cash flow fungibility was also expected to increase going forward.

However, now the shareholding of the common promoters have changed and now there is no common promoter. Also, the management has stated that there will be no cash flow fungibility going forward. Accordingly, CARE has changed the analytical approach from Combined to Standalone.

Outlook: Stable

The stable outlook reflects that entity is likely to sustain its satisfactory financial risk profile backed by favourable demand scenario in the near to medium term.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters

The day-to-day operations of AISPL is looked after by Nilesh Agrawal who is a Chartered Accountants having around a decade of experience in the trading of iron and steel products along his wife Shweta Agarwal.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Renowned suppliers and network of customers albeit not a very strong customer base

AISPL purchases products from well-known companies like Steel Authority of India Limited (SAIL; rated CARE AA; Stable/CARE A1+) and Jindal Steel and Power Limited (JSPL; rated CARE AA-; Positive/CARE A1+). AISPL has an MOU with SAIL for purchasing goods which provides stability in procurement. Although AISPL has a low customer concentration risk, the customer base is not very strong. The company sells to both, end users like construction companies and fabricators (around 70%) and to traders (around 30%). It has a network of around 300 brokers which helps in the recovery of any bad debts. However, the company is largely a regional player selling its products in the state of Chhattisgarh. The company currently have one warehouses in Chhattisgarh. However, the company is setting up another warehouse in Durgapur which is expected to be complete by Sept 2024. This will help company diversify its presence in West Bengal as well.

Growth in scale of operations albeit moderation in operating margin in FY24

Total operating income (TOI) of the company has increased from Rs.359.87 crore in FY23 to Rs.493.88 crore in FY24 on account of volume growth led by expansion in geographical areas. However, the PBILDT margin, though moderated remained satisfactory at 2.25% in FY25 (P.Y.: 2.74%) considering the trading nature of business. The company earned a PAT of Rs.5.29 crore in FY24 vis-à-vis Rs.5.52 crore in FY23.

The company earned TOI of Rs.270 crore till August 23, 2024.

Key weaknesses

Moderate capital structure and debt protection metrics

The capital structure of the company has moderated marked by moderation in overall gearing from 1.03x as on March 31, 2023, to 1.40x as on March 31, 2024. The moderation has been on account of increase in utilisation of fund-based limit along with availing of GECL loans for funding working capital requirement.

Further, the debt protection metrics has also moderated marked by moderation in Interest coverage ratio and TD/GCA. Interest coverage ratio has moderated from 3.58x in FY23 to 2.42x in FY24 on account of increase in interest cost while TD/GCA moderated from 5.58x as on March 31, 2023, to 9.25x as on March 31, 2024, on account of increase in total debt.

Profitability exposed to volatility in steel prices

Steel is a cyclical industry, strongly correlated to economic cycles since its key users viz., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Also, the companies procure material from larger steel players such as SAIL and JSPL, and do not enjoy pricing power and nor follow any formal hedging policy. The companies stock up on inventory when they expect the prices to increase and vice-versa to gain from volatile prices. Any adverse movement in prices of its traded goods may expose the companies to the risk of volatility in profitability.

Fragmented industry with many regional unorganized players

The steel industry in Raipur is characterized by existence of large number of small and medium sized steel trading players working at a regional level. Accordingly, there is stiff competition from the unorganized players.

Liquidity: Adequate

The liquidity of the company is marked adequate with company earning GCA of Rs.5.29 crore vis-à-vis debt repayment obligation of Rs.1.53 crore in FY24. In FY25, the company has debt repayment obligation of Rs.1.00 crore against which it is expected to generate sufficient cash accruals. The average monthly fund-based working capital utilisation stood at around 51% during the last 12 months period ended March 2024. The operating cycle of the company has improved from 45 days in FY23 to 35 days in FY24.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Metals & Minerals Trading	Trading - Metals

AISPL, incorporated in 2010, belongs to Raipur based Agrawal family. AISPL was engaged in the trading of both flat products (MS plates and sheets) and long products (MS Channels, Beams etc). Subsequently, Ironmart Pvt. Ltd. (IPL) was incorporated in January 2022 to trade in flat steel products while AISPL continued to deal in long steel products. Currently, AISPL is engaged in the trading of MS Channels, MS Beams, MS Angles, MS joist etc (long products). The company was originally promoted by Mr. Nilesh Kumar Agrawal and Mr. Pradeep Dayakishan Goel. In FY21, the shares held by Mr. Goel were transferred to Mr. Nilesh Kumar Agrawal and family.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	5MFY25 (UA) *
Total operating income	359.87	493.88	270.00
PBILDT	9.85	11.10	NA
PAT	5.41	5.02	NA
Overall gearing (times)	1.03	1.40	NA
Interest coverage (times)	3.58	2.42	NA

*Till August 23, 2024

A: Audited; UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	59.00	CARE BBB-; Stable
Fund-based - ST-Others		-	-	-	15.00	CARE A3
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	9.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	59.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Aug-23)	1)CARE BBB-; Stable (06-Oct-22)	1)CARE BBB-; Stable (07-Feb-22) 2)CARE BB+; Stable (22-Sep-21) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Jun-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	9.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (24-Aug-23)	1)CARE BBB-; Stable / CARE A3 (06-Oct-22)	1)CARE BBB-; Stable / CARE A3 (07-Feb-22)
3	Fund-based - ST- Others	ST	15.00	CARE A3	-	1)CARE A3 (24-Aug-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Others	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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