Apple Industries Limited

June 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	55.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Apple Industries Limited (AIL) remain tempered by subdued Profit Before Interest, Lease Rentals, Depreciation and Taxes (PBILDT margins) and the company reporting continued losses at net level in FY25(UA). The company operates on a thin margin as it majorly sells its products through B2B channel, who in turn distribute the product sold by AIL under their own brand. The key raw material, iron ore pellet and coal are sourced from dealers instead of purchase through e-auction from miners or direct exporter, which keeps the margin low, however, the operating cycle remain low; albeit expected to moderate going forward.

Post acquisition of the company under new management through National Company Law Tribunal (NCLT), the company undertook major expansion spree since then, it has invested Rs.85 crore up to March 2025, towards expansion of its capacities in Sponge Iron, Induction furnace and TMT rolling mill. The same is funded by term loan of Rs.51 crores, Rs.29 crores in the form of USL(Unsecured Loans), equity infusion of Rs.2.5 crores. & internal accruals of Rs.2.39 crores. The company has enhanced its induction furnace capacity to 400 tpd from 200 tpd in March 2025, which is likely to result in enhanced captive consumption of billets and improve share of TMT sales. Despite large debt funded capex the capital structure and debt coverage indicators remain moderate marked by TOL/TNW 2.01x as on March 31, 2025.

The global supply and demand balance, particularly increasing Chinese supplies, continue to exert pressure on steel prices and output as is evident from fall in prices of rebar in the recent past. Hence, the ability of the company to optimally utilise its enhanced capacities and improve its margins amidst the global supply and demand imbalance, while keeping the operating cycle low remains a key monitorable. The rating also factors in high customer and supplier concentration risk associated with AIL. The ratings also factor in high level of working capital utilisation despite enhancement in limits, which remained consistently high at 99% over last 4 months ended May 2025.The ratings also factor in persistent non-compliance with regulations and qualification by auditor though not material.

The ratings, however, derive strength from experienced promoters and moderate net worth base as a result of unsecured loan from promoters, which remain subordinated to bank facilities to an extent of Rs.73 crore out of Rs.97 crore as on March 31, 2025.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations over¬Rs.550 crore with PBILDT Margin around¬ 5% and profits at net level on a sustained basis.
- Improvement in overall gearing to 1.2x and TD/GCA to 7.0x on a sustained basis.

Negative factors

- Decrease in scale of operations as marked by total operating income of below Rs.450.00 crore with PBILDT margin below 3.0% on a sustained basis.
- Deteriorating in overall gearing beyond 2.0x and TD/GCA over 11.0x.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings expectation that the company would maintain its financial risk profile aided by experienced promoters, established relationship with customers coupled with satisfactory capacity utilisation.

Detailed description of key rating drivers:

Key weaknesses

Subdued profitability margins

AIL operates in a highly competitive environment. The profitability margin of the company has been in the range bound of 3% to 4% till FY24. During FY25(UA), the company has reported improvement in EBITDA margins from 3.32% (in FY24) to 4.52% in FY'25(UA). The improvement is on account of economies of scale achieved as a result of vertically integrated operations in ms billet and TMT bars due to captive consumption of raw materials. Also, the company operates under B2B model, who in turn distribute the product sold by AIL, under their own brand. In view of the business model the company continue to earn thin PBILDT margins of about 3-4%. Moreover, the company is in talks with solar power producers, this would result in substantial reduction in power cost going forward. Also, on back of recent commissioning of its induction furnace in March 2025, the company is expected to sell higher volume of TMT bars, which is expected to result margin expansion for the company. Hence, ability of the company to improve its margins remain a key monitorable.

Moderate Capital Structure; albeit moderate debt coverage indicators

The capital structure of the company continued to remain satisfactory in the last three fiscals' years marked by overall gearing of 0.86x as on March 31, 2024 (PY: 0.54x). However, as on March 31, 2025, the overall gearing and TOL/TNW deteriorated to 1.66x and 2.01x respectively, mainly on account of higher debt as on March 31, 2025, due to increase in term loan and USL (Which is not subordinated to bank facilities) for its recently completed capex along with increase in short-term borrowings. Debt coverage indicators stood moderate, as marked by moderate interest coverage of 1.79x in FY25 (1.5x in FY24), total debt to GCA (TD/GCA) of 9.71.0x in FY25(9.64 in FY24). Going forward, the capital structure and debt protection metrics are expected to remain within a range in the near to medium term.

Recently completed capex

Post acquisition of the company under new management through National Company Law Tribunal (NCLT), the company undertook major expansion spree since then. The company has invested Rs.85 crore up to March 2025, towards expansion of its capacities in Sponge Iron, Induction furnace and TMT rolling mill. The same is funded by term loan of Rs.51 crores, Rs.29 crores in the form of USL(Unsecured Loans), equity infusion of Rs.2.5 crores. & internal accruals of Rs.2.39 crores

Post acquisition, the sponge iron capacity was enhanced from 200 tpd to 300 tpd in the latter part of FY'23 and early FY'24. Additionally, the company established a 200 tpd TMT bar making capacity in the latter part of FY'24 and early FY'25. Furthermore, the company converted its 10 MW captive power plant into a Waste Heat Recovery plant in FY'24. This apart the company is also in talks with solar power producers, which would result in a reduction in power costs. The company has completed its project of expanding its Induction furnace capacity project from 200 tpd to 400 tpd and commissioned it at end of March 2025, with no cost and time overrun. The company plans to use the entire billets internally by its rolling mills. The ability of the company to optimally utilise its enhanced capacities and improve its margins amidst the global supply and demand imbalance particularly regarding China, affecting steel prices and output, remains a key monitorable.

High customer and supplier concentration risk

The company is involved in the sale of Sponge Iron, and TMT bars, the company has a B2B arrangement for sale of its products primarily with two customers, the sales from these two customers accounted for 54% of total sales in H1FY25, moreover, the sales from top 10 customers accounted for about 76% of total sales in H1FY25, thus exposing to high customer concentration risk. In FY24, the top 10 clients accounted for around 61% of their total sales (vis-à-vis 99% in FY23). AIL's top three suppliers in FY24 were Sofia Traders (AP), Minera Steel & Power Private Limited and A One Steel and Alloys Private Limited (BLY), which contributing 40.77% of purchases. The top 10 suppliers contributed 69.31% of purchases in FY24, a significant increase from 35.20% in FY23, thus, the company's business remain exposed to supplier concentration risk.

Highly competitive and cyclical industry

The steel sector is characterized by its cyclical nature, which is intricately linked to economic trends. Major industries that utilize steel like construction, infrastructure, automotive, and capital goods rely heavily on economic conditions, meaning any decline in economic activity can negatively affect their demand for steel. Furthermore, the global supply and demand balance, particularly regarding China, is a significant factor affecting steel prices and output. Consequently, finished steel producers are primarily price-takers, this connection makes their cash flows and profitability vulnerable to the volatility of the end-user sector.

Profitability susceptible to volatility in raw material prices

The primary raw materials including iron ore and coal constitute the largest portion of the total cost of sales for steel products. Essential materials such as iron pallets, coal, pig iron, which are necessary for producing sponge iron are predominantly obtained from the domestic market. The major raw material for the company constitutes around 84 to 85% of total cost of sales in FY25(UA). Since the company faces challenges with price volatility in these materials due to procurement from domestic market on shorter credit term of 10 days. Consequently, the company's profitability is highly sensitive to fluctuations in raw material costs.

Key strengths

Experienced Promoters

AIL is managed by Mr. Parag Gupta, Mr. Rakesh Gupta, and Ms. Uma Gupta, who serve as the Director. Mr. Parag Gupta also manages M/s Distributor India South, providing C & F services to various pharma companies. Uma Gupta is also a director at Lord Balaji Warehousing Private Limited. Mr. Rakesh Gupta holds a 50% stake in M/s Distributors India (C & F), which primarily provides distribution services for M/s Glaxo India Limited, M/s Elan Pharma Limited, M/s MSD Pharma Limited, and M/s Chiron Pharmaceuticals Private Limited. Currently, AIL's business is handled by Mr. Akash Gupta(son of Mukesh Gupta) who has 8-10 years of experience in steel industry. The plant is headed by Mr. Purshottam who has 15 years of experience in Steel industry.

Comfortable operating cycle

The operating cycle has remained low, at 10 days in FY'24 compared with 1 day in FY'23. However, during FY25(UA), the operating cycle has increased to 21 days primarily due to increase in inventory holding days. The company normally maintains an inventory of 15 days- 30 days, during FY25(UA) the average inventory holding cycle increased to 21 days when compared with 15 days in FY24. This increase is driven by the expansion in sponge iron and MS billets production capacities. Also, during FY25(UA) the average creditors days has increased to 10 days (8 days in FY24), while the average receivables days has increased to 10 days (2 days in FY24). The increase in receivable and payable cycle was due to increase in TMT revenue during FY25(UA), going forward with share of TMT expected to increase the operating cycle is expected to moderate.

Moderate Financial performance: albeit improvement witnessed in FY24 & FY25(UA)

Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 44.31% in last 5 years ended FY24. During FY25(UA), the TOI grew by 11% to Rs.521 crore over Rs.470 crore in FY24. The growth was driven by higher share of TMT revenue. Despite this revenue growth and improvement in EBITDA margins, the company continued to report losses at net level, mainly due to higher interest expense. Nonetheless, Gross Cash accruals remained positive and almost doubled to Rs.10.49 in FY25(UA) compared to Rs.5.65 crore in FY24. Going forward on the back of higher share of TMT sales the scale is likely to continue to grow. Hence, the ability of the company to improve its scale and PBILDT margins on the back of highly competitive business environment for TMT remains to be seen and remain a key monitorable.

Liquidity: Stretched

The company's liquidity remains stretched marked by persistent high utilisation of working capital limits at 99% since Feb 2025 coupled with weak debt coverage indicators. Moreover, on the back of recently completed capex the share of TMT is expected to increase which would result in higher working capital requirement. The company reported a GCA of Rs.5.65 crores in FY24 against debt repayment obligation of Rs.3.76 crore. Furthermore, the company has achieved a GCA of Rs.10.83 crore in FY25(UA). As against this the company has repayment obligation of Rs.5.45 crore in FY25 and Rs.6.60 crore in FY26. However, the comfort can be drawn from the subordinated unsecured loans of Rs.73.37 crores and increase in non-subordinated unsecured loans of Rs.23.48 crore and fresh infusion in equity of Rs.2.49 crores, highlighting promoters ability to bring in funds as and when required.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Sponge Iron

Apple Industries Limited (AIL), based in Delhi, was incorporated on November 11, 2008, and is currently managed by Mr. Rakesh Gupta and Mr. Parag Gupta since February 2022. The company is engaged in the manufacturing of sponge iron, MS billets, and TMT bars, with an installed capacity of 300 TPD for sponge iron and 400 TPD for rolling mill operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	393.97	470.03	521.28
PBILDT	11.75	15.62	23.55
PAT	-0.83	-3.76	-2.02
Overall gearing (times)	0.54	0.86	1.66
Interest coverage (times)	1.97	1.50	1.79

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term		-	-	Feb, 2031	55.00	CARE BB-; Stable

Annexure-2: Rating history for 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 2025-2026	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
1	Fund-based-Long Term	LT	55.00	CARE BB-; Stable				

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Manohar S Annappanavar Associate Director **CARE Ratings Limited** Phone: +91-80-46625525 E-mail: manohar.annappanavar@careedge.in Ritik Agrawal Analyst **CARE Ratings Limited** E-mail: Ritik.agarwal@careedge.in

About us:
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