

Press Release

Agarsen Re-Rollers Private Limited

November 23, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 16.00 crore bank facilities of Agarsen Re-Rollers Private Limited. The outlook is '**Stable**'.

Agarsen Reroller Private Limited (ARPL) is a Raipur (Chhattisgarh) based company incorporated in 1989 and promoted by Mr. Supras Chandra Golecha and family. The management was subsequently taken over by Mr. Vikas Goyal and Mr. Kamal Kishore Agarwal in July 2016 and the commercial operations began in 2017. ARPL manufactures MS Pipes and MS Strips with an installed capacity of 40,000 MTPA and 60,000 MT PA respectively.

Avinash Ispat Private Limited (AIPL), incorporated in 1984, is a Raipur (Chhattisgarh) based company promoted by Mr. Supras Chandra Golecha and family. The management was subsequently taken over by Mr. Vikas Goyal and Mr. Kamal Kishore Agarwal in July 2016. The company manufactures long products including I beam, H beam and MS Channel with an installed capacity of 30,000 MTPA.

About the group

AIPL is part of Agarsen Group that consists of ARPL and AIPL. The Raipur based group is currently owned by Mr. Vikas Goyal and Mr. Kamal Kishore Agarwal and is engaged in manufacturing of long steel products.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of ARPL and AIPL to arrive at this rating. The consolidation is on account of common promoters, similar line of business and significant operational linkages. The group is herein referred to as the Agarsen group. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

The financial risk profile of the group is marked by modest net worth, moderate gearing and healthy debt protection metrics. The net worth of the group stood at Rs. 11.11 Crore as on March 31st, 2018 as against Rs. 9.82 crore in the previous year mainly supported by steady internal cash accruals. The gearing deteriorated but remained moderate to 1.64 times as on March 31st, 2018 as against 0.76 times in the previous year on account of debt funded capital expenditure undertaken in ARPL. The total debt of Rs 18.27 Crore consist of long term borrowings of Rs. 4.75 Crore and short term financing of Rs. 11.91 Crore and unsecured loan of Rs. 1.60 crore. In absence of any further capex plan, the gearing is expected to remain comfortable. The debt protection metrics remained healthy with interest ratio coverage (ICR) 2.71 times and debt service coverage ratio of 2.32 times as on March 31st, 2018 compared to 2.50 times and 2.19 times respectively as on March 31st, 2018.

- **Experienced promoters**

The group is promoted by Mr. Vikas Goyal and Mr. Kamal Kishore Agarwal who have extensive experience in steel and agriculture related industries. Mr. Vikas Goyal has more than 15 years of experience in the steel industry by virtue of his association with group companies- Ganpati Sponge

Iron Private Limited and Sambhv Sponge Power Private Limited. Their long experience has enabled them to develop comfortable relationships with their key suppliers and customers.

Weaknesses

- **Nascent stage of operation of ARPL**

ARPL has a limited track record of one year having commenced its full-fledged operation in FY2017- 2018. The company has registered an operating income of Rs 132.26 Crore in its first year of operations contributing more than 80 percent to Agarsen group's revenue profile. Going forward, the group's ability to scale up its operations further through ARPL will remain a key rating sensitivity.

- **Susceptibility to changes in raw material prices and government regulations**

The operating profitability margin is vulnerable to sudden changes in raw material cost, regulatory changes, such as in duties and tariffs, which affect the final cost. Further the steel industry is vulnerable to downturns in demand, leading to decline in realisations and profitability. Moreover, most of the revenue is derived from the domestic industry where demand depends on economic growth and consumer sentiments.

Outlook: Stable

Acuité believes the outlook on Agarsen group rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case of the group fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	155.77	51.90	44.04
EBITDA	Rs. Cr.	4.65	1.41	1.03
PAT	Rs. Cr.	1.29	0.46	0.12
EBITDA Margin	(%)	2.99	2.73	2.35
PAT Margin	(%)	0.83	0.88	0.28
ROCE	(%)	16.65	9.04	22.82
Total Debt/Tangible Net Worth	Times	1.64	0.79	0.41
PBDIT/Interest	Times	2.70	2.50	1.61
Total Debt/PBDIT	Times	3.70	5.05	1.92
Gross Current Assets (Days)	Days	64	133	50

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.89	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	9.11	ACUITE BB / Stable

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About Acuité Ratings & Research:

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