



Press Release
API ISPAT AND POWERTECH PRIVATE LIMITED
February 21, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.50	ACUITE AA Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	85.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed long term rating of ‘**ACUITE AA**’ (read as **ACUITE double A**) and short term rating of ‘**ACUITE A1+**’ (read as **ACUITE A one plus**) on the Rs. 85.50 Cr. bank facilities of API Ispat and Powertech Private Limited (AIPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation

The rating reaffirmation considers the moderation in business risk profile of the group as demonstrated by steady revenues, range bound operating margins and healthy financial risk profile. The rating also draws comfort from the established track record of operations of the group, its integrated nature of operations, experienced management, and a strong liquidity position well supported by minimal debt levels. These strengths are partially offset by the cyclical nature of the steel industry and the vulnerability of operating margins to the increases in commodity prices.

About the Company

API Ispat and Powertech Private Limited (AIPL) was acquired in 2014 and is a 94.97 percent subsidiary of Real Ispat and Power Limited (RIPL). The company is based in Chhattisgarh and is engaged in manufacturing of sponge iron, rolling mills, billets and thermo-mechanically treated (TMT) bars and wires with an installed capacity of 210,000 MTPA, 4,74,718 TPA, 3,68,400 MTPA, 3,45,250 MTPA and 1,45,250 MTPA respectively. The company also owns a 25 MW Power Plant. The company is managed by Mr. Rajesh Agrawal, Mr. Ramesh Agrawal and Mr. Umesh Agarwal.

About the Group

Incorporated in 2006, Real Ispat and Power Limited (RIPL) is a Chhattisgarh based company promoted by Mr. T.C. Agarwal and family and is the flagship company of the Real Group. RIPL has its facilities at Borjhara in Raipur, Chhattisgarh for manufacturing sponge iron (60,000 TPA), mild steel billet (400,000 TPA), thermo-mechanically treated (TMT) bar/wire rod (400,000 TPA) and wire (100,000 TPA), galvanized (GI) wire (25,000 TPA). In addition, the company has a captive power plant of 13 megawatt (MW).

Incorporated in 1990, Ajay Steels Private Limited (ASPL) is a part of the Chhattisgarh-based Real Group. ASPL

was previously involved in steel trading. However, the same was discontinued and the company started trading in coal from FY2019. It mainly imports noncooking coal from South Africa to fulfil the Group companies' requirements of imported noncooking coal, and to sell coal to external buyers. RIPL holds 19.19 percent stake in ASPL. Directors of ASPL are Mr. Ramesh Agrawal and Mr. Ritesh Jindal.

Shivalay Ispat and Power Private Limited (SIPL), was incorporated in 2004, to manufacture sponge iron with an installed capacity of 90,000 MTPA and captive power plant (CPP-WHRB) of 7.5 MW at Raipur, Chhattisgarh. Later in August 2012, SIPL was acquired as a wholly-owned subsidiary of RIPL, as part of backward integration plan of the Real Group. Directors of Shivalay Ispat and Power Private Limited are Mr. Ritesh Jindal, Mr. Shivkumar Yadav, Mr. ShivKumar Agrawal and Mr. Ramesh Agrawal.

Real Ispat and Energy Private Limited (RIEPL), was incorporated in September 2020 and is engaged in business of manufacturing of Sponge Iron and other steel products. The Current Directors of the company are Mr. Shiv Kumar Agrawal, Mr. Nitesh Agrawal, Mr. Ritesh Jindal, Mr. Gaurav Agrawal, Ms. Yojana Jindal and Mr. Tarak Kumar Rai. The Company has its registered office at Raipur, Chhattisgarh.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Real Ispat and Power Limited (RIPL) with four subsidiaries, API Ispat and Powertech Private Limited (AIPL), Shivalay Ispat and Power Private Limited (SIPL) and Real Ispat and Energy Private Limited (RIEPL) and group company, Ajay Steels Private Limited (ASPL) on account of common management, same line of business, operational and financial linkages to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations of the group in steel sector

The group has a long track record of operations around three decades in the steel manufacturing industry. The promoters started with trading of steel since 1990 under Ajay Steels Private Limited and ventured into manufacturing of TMT bars in 2002 through the acquisition of Gourav Krishna Ispat Private Limited. The Group has been successful in turning around loss making companies through inorganic and brownfield expansion in a very short time frame. Currently, the group is managed by Mr. Rajesh Agrawal, Mr. Ramesh Agrawal and Mr. Umesh Agarwal, who possess business experience of around three decades in the steel industry, supported by second generation directors. Acuité believes that the vast experience of the promoter and the long track record has enabled the group to establish strong market position in Chhattisgarh and build healthy acceptability of its brand 'GK TMT' among large institutional clients as well as retail consumers.

Integrated steel player along with locational advantage

The group is an integrated steel player that manufactures sponge iron, MS Billets, wire, TMT bars and ferro alloys plant having a total installed capacity of 5,55,000 MTPA, 768,400 MTPA, 245,250 MTPA, 8,74,718 MTPA and 12,000 MTPA respectively. The group also has a 65.5 MW power plant for captive consumption. Further, the group is undergoing capex to install 8,00,000 MTPA of Pellet plant and expand sponge iron capacity by 2,00,00 MPTPA and captive power plant by 20MW to fully integrate the group operations. The units are in proximity to the sources of key raw materials, iron ore and coal, leading to relatively lower landed cost. Real Group has linkages with the National Mineral Development Corporation (NMDC) and the Southeastern Coalfields Limited (SECL) for procurement of iron ore and coal, respectively. In addition, other requirement of non- coking coal is procured from Ajay Steels, which is involved in trading of imported coal. Acuité believes that the vertical integration in operations will lend considerable operational efficiency going forward. Further, apart from supporting the operating profitability, the backward integration will also ensure smooth raw material availability.

Moderation in revenue and profitability margins

The revenue of the group moderated and stood at Rs. 3538.83 Cr. in FY2024 from Rs. 3840.98 Cr. in FY2023 due to subdued realisation, further the group reported revenue of Rs. 2740.76 Cr. in 9MFY2025. The lower realisation was partially offset by lower raw material prices which led to slight moderation in operating margins of the group that stood at 9.77 per cent in FY2024 compared to 10.05 per cent in FY2023. Further, the group reported operating margin of ~9.16 per cent in 9MFY2025. The PAT margin improved and stood at 7.22 per cent in FY2024 as compared to 6.53 per cent in FY2023. Acuité believes the scale of operations of the company will improve steadily going forward backed by the capacity additions over the medium term.

Strong Financial Risk Profile

The group's robust financial risk profile is marked by strong net worth base, low gearing and robust debt protection metrics. The tangible net worth of the group improved to Rs. 1888.79 Cr. as on 31st March 2024 as against Rs. 1637.75 Cr. as on 31st March 2023 due to healthy accretion to reserves. The group follows a conservative leverage policy as reflected in its peak gearing of 0.03 times as on March 31, 2024, against 0.09 times as on March 31, 2023. The debt protection metrics of the group are strong marked by Interest Coverage Ratio at 25.50 times and Debt Service Coverage Ratio (DSCR) at 20.34 times as on March 31, 2024. The NCA/TD stood at comfortable 5.81 times in FY2024. The group is in the process of adding new plant and capacities by March 2026

in Pellet plant and expanding Sponge iron and captive power plant capacities with a total cost of Rs. 375.00 Cr. which will be funded entirely through own funds. Acuité believes that the financial risk profile of the group is expected to remain strong backed by steady accruals and no major debt funded capex plans.

Efficient Working Capital Management

The group's working capital operations are efficiently managed marked by low Gross Current Asset (GCA) days and low working capital utilisation. The GCA days stood at 120 days as on March 31, 2024, as against 87 days as on 31st March 2023 on account of increase in other current assets (material on loan). The inventory days stood at 53 days as on 31st March 2024 as against 40 days as on 31st March 2023. The debtor days stood efficient at 10 days as on 31st March 2024 as against 20 days as on 31st March 2023. The average utilisation of the fund-based limit is low and stood at 21.76% and of non-fund- based limits stood at 19.38 per cent for six months ended as of December 2024. Acuité believes that the working capital of the group would be managed efficiently over the medium term backed by efficient collection mechanism and inventory management.

Weaknesses

Susceptibility of profitability to volatility in raw material prices

The group's profitability is highly susceptible to volatility in prices of the key raw material. Any sharp upward movement in the raw material prices and the inability of the group to pass on the increased cost of raw materials may result in further dip in operating margins. This is evidenced by the fluctuating operating margins of the group that ranges from 7-10 per cent. Acuite believes, the profit margins of the group likely to remain exposed to inherent cyclicity in the steel industry and volatility in raw material prices.

Operating in highly competitive steel sector

The group is operating in a competitive and fragmented nature of industry especially in primarily steel producing industry. There are several players who are engaged in the sponge iron and billets manufacturing business in organized and unorganized sector. The ability to withstand stiff competition is likely to put pressure on the operating performance of the group in the medium to long term.

Rating Sensitivities

Any unanticipated sizeable debt funded capital expenditure
Sustenance in the scale of operations while improving its profitability margins
Deterioration in the working capital management

Liquidity Position

Strong

The group's liquidity is strong marked by healthy net cash accruals of around Rs. 290.98 Cr. in FY2024 against no long-term debt obligations. Further, the group's working capital operations are efficiently managed. The average utilisation of the fund-based limit is low and stood at 21.76% and of non-fund- based limits stood at 19.38% for six months ended as on December 2024. The cash and bank balances of the group stood at Rs. 5.82 Cr. as on 31st March 2024. The current ratio of the group stood strong at around 2.21times in FY2024. Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of enhanced cash accruals. Despite large capital expenditure plan, the group's liquidity position is likely to remain unaffected as the group may not resort to availing external debt on the back of sufficient internal accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3538.83	3840.98
PAT	Rs. Cr.	255.54	250.70
PAT Margin	(%)	7.22	6.53
Total Debt/Tangible Net Worth	Times	0.03	0.09
PBDIT/Interest	Times	25.50	90.98

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Nov 2023	Letter of Credit	Short Term	30.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE AA Stable (Reaffirmed)
07 Sep 2023	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE AA Stable (Reaffirmed)
09 Jun 2022	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE AA Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE AA Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE AA Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE AA Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.50	Simple	ACUITE AA Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A1+ Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Real Ispat and Power Limited (RIPL)
2	API Ispat and Powertech Private Limited (AIPL)
3	Shivalay Ispat and Power Private Limited (SIPL)
4	Ajay Steels Private Limited (ASPL)
5	Real Ispat and Energy Private Limited (RIEPL)

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About Acuité Ratings & Research

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