

**Press Release**  
**VFPL- ASIPL JV COMPANY**  
**October 22, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	13.00	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	70.50	-	ACUITE A2+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	83.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE A-**’ (read as **ACUITE A minus**) and short term rating of ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) on the Rs 83.50 Cr. bank facilities of VFPL ASIPL JV Company (JV). The outlook remains ‘**Stable**’.

**Rationale for rating**

The rating reaffirmation considers the group’s augmentation in business risk profile. In FY2024 (Prov), a steady increase in scale of operations translated into a healthy improvement in the group’s profits and cash accruals. Considering its successful capacity expansion of the manufacturing operations in the past, group has demonstrated steady volume growth and healthy profit margins over the last few years. Post the expansion, it will benefit from increased scale and other operational synergies, thus strengthening the overall operating profile. The group’s capital structure, debt coverage indicators, liquidity are anticipated to remain comfortable and adequate. The rating also draws comfort from the long and established position of the group in the steel and mining business, diversified product range along with the extensive experience of promoters. The ratings, however, are constrained by the moderate working capital requirement, cyclical nature inherent in the steel business and the intense competition in the industry, which makes margins and cash flows vulnerable to fluctuations in prices and demand.

**About the Company**

Ramgarh based, VFPL ASIPL JV Company (JV) is a Joint venture between Vikas Fasteners Private Limited and Alope Steel Industries Private Limited in 2011. The JV executes orders from Mahanadi Coalfields Limited (MCL) and South Eastern Coalfields Limited (SECL) related to extraction, loading and transportation of coal.

**About the Group**

Maa Chhinnmastika Cement and Ispat Private Limited (MCCIPL) was acquired by Rungta Group in 2010. The aggregate installed capacity of the company is 90,000 MT of sponge iron, 72,000 MT of billet and 67,500 MT of Rolling Mill. Current board members & directors are Mr. Alok Rungta and Mr. Parsuram Singh.

Alope Steels Industries Private Limited (ASIPL) was incorporated by Jharkhand based Rungta family in 2004. The company is engaged in the production of sponge iron with an installed capacity of 120,000 MTPA. Directors of Alope Steels Industries Private Limited are Abhishek Rungta, Kamendra Mishra.

Jharkhand Ispat Private Limited (JIPL) was incorporated in 1991. The company is engaged in the production of sponge iron and billet. The company has installed capacity of 120,000 MT per annum for sponge iron and 108,000 MT per annum for MS billet. All the above manufacturing units are located at Ramgarh, Jharkhand. Directors of Jharkhand Ispat Private Limited are Ram Chandra Rungta & Rajeev Kumar Agarwal.

Kolkata based, Araanya Mines Private Limited (AMPL) was incorporated by Alope Steels Industries Private Limited and Maa Chhinnmastika Cement and Ispat Private Limited. In March 2015, the company was allotted a coal mine that has extractable reserves of 10 million MT out of which 0.20 million MT of coal can be extracted

annually. The extracted coal will be used for captive consumption in the group companies. Directors of Araanya Mines Private Limited are Alok Rungta and Abhishek Rungta & Arvind Kumar.

### **Unsupported Rating**

Not applicable

### **Analytical Approach**

#### **Extent of Consolidation**

•Full Consolidation

#### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has taken a consolidated view of Alok Steels Industries Private Limited (ASIPL), Jharkhand Ispat Private Limited (JIPL), Araanya Mines Private Limited (AMPL), Maa Chhinnmastika Cement and Ispat Private Limited (MCC IPL) and VFPL ASIPL JV Company (JV), for their common management in a similar line of business.

ASIPL and MCC IPL hold 100 percent stake in AMPL. In addition to that, MCC IPL and ASIPL have also extended corporate guarantees to Araanya Mines Private Limited. ASIPL is a stakeholder and guarantor of VFPL ASIPL JV Company. The group herein, is referred to as the Rungta Group.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record and experienced management**

The Rungta group is promoted by the Jharkhand based Rungta family. The group is headed by Mr. Ram Chandra Rungta, who has more than three decades of experience in the steel and mining business through other group concerns. The group has diversified interests in various sectors such as steel, mining, cement and real estate, among others. ASIPL, JIPL and MCC IPL are engaged in manufacturing intermediate steel products such as sponge iron, billet and TMT. The VFPL ASIPL JV is executing orders related to extraction and transportation of coal from various coal mines of MCL and SECL. Araanya Mines Private Limited was allotted Lohari coal block in Jharkhand with total extractable reserve of around 10 million tonnes. The production was expected to start from April 2024. However, due to lok sabha elections and delay in getting requisite approvals from government authorities, company had been unable to start the production in the FY24 and currently expecting to start production in the FY25-26.

Acuité believes that the group will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers.

##### **Sustained revenue growth**

Total operating income of the group has increased by 18.03% in the FY24(Provisional) which is driven by expansion of manufacturing facility for sponge iron, billet, and rolling mills. Besides, the group has been able to scale up operations due to stabilisation and increase in capacity utilisation across all its product segment. Moreover, the group has healthy order book of Rs 1388.21 Cr. as on August 2024 which provides revenue visibility for near to medium term.

The group has witnessed steady improvement in the scale of operation as reflected from its revenue of Rs 1294.84 Cr. in FY24(Provisional) as against Rs 1097.00 Cr. in FY23 on account of change in product mix. The revenue growth is expected to continue in FY25 with the existing installed capacity and further installation of rolling mill with the capacity of 90000 MTPA would result in steady growth. Acuite notes that the group had been regularly incurring capex for the expansion of the group in the form of backward as well as forward integration to existing business.

Acuite believes the scale of operation will improve over the medium term backed by rise in sale of value-added steel products where realizations are higher in comparison to intermediate goods such as Sponge Iron and Billet, healthy order book in hands, forward and backward integration expansion of the business in the FY25 and FY26 would strengthen the overall operating profile of the group.

##### **Healthy profit margin**

The group has reported a steady EBITDA margin of 10.44% in FY24 (Provisional) as against 9.39% in the FY23, supported by backward and forward integration measures and economies of scale benefits. The group's PAT margin also increased to 4.28% in FY24(Provisional) from 4.22% in FY2023 on account steady EBIDA margin, increase in other income (mainly pertaining to profit on sale of asset and Fixed Deposit interest) albeit increase in finance cost and depreciation.

In addition to that, the group has acquired Araanya Mines private limited company along with two new entities RCR Steel Works Pvt Ltd & Rungta Metals Pvt Ltd (common directors hold 100% stake of the company.) to venture into mining. Once the mines are operational, the group will benefit significantly from the easy and assured availability of raw materials which will result in overall improvement in business risk profile and will significantly result in improvement in profitability.

Acuite believes the profitability margin of the group is likely to remain healthy over the medium term backed by backward and forward integrated operation.

### **Healthy financial risk profile**

The financial risk profile of the group is marked by healthy net worth, steady gearing and debt protection metrics. The tangible net worth of the group increased to Rs. 574.30 Cr. as on March 31, 2024(Provisional) from Rs. 453.08 Cr. as on March 31, 2023 due to accretion of reserves and increase in equity in the form of share capital and quasi equity. Acuite has considered unsecured loans of Rs.127.66 Cr. as on March 31, 2024(Provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term.

Gearing of the group stood at 0.44 times as on March 31, 2024(Provisional) as compared to 0.56 times as on March 31, 2023, although there was some increase in the debt levels in FY2024 (Provisional). Acuite notes that the group has been regularly incurring capex in the last few years for improving the share of intermediate and value-added products in the overall revenue & profitability mix and foraying into backward and forward integration. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at comfortable level i.e. 0.85 times as on 31st March 2024(Provisional) as against 1.03 times as on March 31, 2023. There being dip in the coverage ratio where interest coverage ratio stood at 4.79 times and debt service coverage ratio stood at 1.75 times as on 31st March, 2024(Provisional) as against 8.21 times and 4.16 times as on 31st March 2023 mainly on account of increase in debt cost but the same remains comfortable.

Calibrated capex undertaken by the group over the past years, funded through internal accruals, unsecured loan along with debt, has also helped it maintain steady leverage. Commensurate returns from the planned capex in the form of backward and forward integration and optimal capacity utilisation will remain key credit monitorable for the group.

Acuite expects the leverage and coverage indicators to remain healthy and improve over the medium term on the back of a surge in earnings further boosting the profitability of the group.

### **Weaknesses**

#### **Moderate Working capital requirement**

The group has a moderate working capital requirement as reflected from 134 days of GCA days in FY24(Provisional) as against 143 days in FY23. In FY24 (Provisional), group had witnessed an increase in inventory days to 42 days from 38 days in FY23 as the group needs to maintain raw material inventory (iron ore, coal stock) for uninterrupted production and to mitigate the raw material price fluctuations risk. The debtor days of the group stood comfortable at 16 days in FY24(Provisional) as against 7 days in FY23. GCA days are majorly driven by other current assets which mostly comprises of advance to suppliers, advance to related parties and receivable from revenue authority. The creditor days of the group improved and stood at 17 days in FY24(Provisional) as against 35 days in FY23. The fund-based limit remained utilized at ~33 per cent and non-fund based limit remained utilized at ~69 percent over the six months ended Aug, 2024.

Acuite believes working capital requirement is likely to remain similar in the medium term considering the nature of industry.

#### **Exposure to inherent cyclicity and slowdown in end-user industry**

The group remains vulnerable to cyclicity in the steel industry, which is closely linked to any changes in domestic and global economies. While the government has provided significant impetus to steel-intensive sectors such as railways and infrastructure, any downturn in economic cycle will adversely impact demand. Steel demand is ultimately linked to the capex spends of end users such as real estate, civil construction and engineering, which are cyclical. Acuite believes that slowdown in the capex of these segments may impact the performance of the group.

#### **Volatility in the prices of raw materials and finished goods**

Major raw-materials required for the group are iron-ore and coal for manufacturing of sponge iron. Raw material accounted for ~75% of total cost of production in the last three fiscals. The group lacks backward integration for its basic raw-materials (iron ore and coal) and has to procure the maximum requirement from open market. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the group is susceptible to fluctuation in raw-material prices. On the other hand, the finished goods are also volatile and dependent upon economic cycles and global demand supply scenarios.

### **Rating Sensitivities**

- Movement in the scale of operation while sustainability in its profitability margin
- Timely completion of project
- Further delays in execution of coal mining extraction
- Movement in the working capital cycle impacting the financial risk profile and liquidity position.

### **Liquidity Position**

#### **Adequate**

The group's liquidity position is adequate marked by net cash accruals of Rs.101.26 Cr. as on March 31,

2024(Provisional) as against long term debt repayment of Rs. 44.41 Cr. over the same period. The current ratio improved and stood comfortable at 1.51 times as on March 31, 2024(Provisional) as compared to 1.25 times as on March 31, 2023. The fund-based limit remained utilized at ~33 per cent and non-fund based limit remained utilized at ~69 percent over the six months ended Aug, 2024.

Going forward, Acuité believes the liquidity position of the group will be sustained marked by enhanced net cash accruals despite of on-going capex by the group.

**Outlook:**

Stable

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1294.84	1097.00
PAT	Rs. Cr.	55.38	46.27
PAT Margin	(%)	4.28	4.22
Total Debt/Tangible Net Worth	Times	0.44	0.56
PBDIT/Interest	Times	4.79	8.21

### 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. Acuite'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jul 2023	Cash Credit	Long Term	2.50	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	1.25	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	0.15	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	10.35	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	42.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.10	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	23.00	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.15	ACUITE A2+ (Reaffirmed)
28 Jun 2023	Cash Credit	Long Term	2.50	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	10.35	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	1.25	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	0.15	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	42.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	23.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	4.10	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.15	ACUITE A2+ (Assigned)
30 Aug 2022	Cash Credit	Long Term	2.50	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	1.25	ACUITE A-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.15	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	42.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.10	ACUITE A2+ (Reaffirmed)
06 Jul 2022	Cash Credit	Long Term	2.50	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	1.25	ACUITE A-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.15	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	42.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.10	ACUITE A2+ (Reaffirmed)
01 Apr 2021	Cash Credit	Long Term	2.50	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	1.25	ACUITE A-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.15	ACUITE A-   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	4.10	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	42.00	ACUITE A2+ (Assigned)

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	42.00	Simple	ACUITE A2+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	23.00	Simple	ACUITE A2+   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.10	Simple	ACUITE A2+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.35	Simple	ACUITE A-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE A-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.15	Simple	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.40	Simple	ACUITE A2+   Reaffirmed

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

Sr. No	Name of the companies
1	Araanya Mines Private Limited
2	Aloke Steels Industries Private Limited
3	Jharkhand Ispat Private Limited
4	Maa Chhinnmastika Cement and Ispat Private Limited
5	VPSL ASIPL JV Company



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### About Acuité Ratings & Research

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