



**Press Release**  
**Astha Innovations Private Limited**  
**May 17, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.50	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	18.50	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.18.50 Cr. bank facilities of Astha Innovations Private Limited (AIPL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating is reaffirmed considering the stable operating and financial performance of the group. The operating income of the group which improved to Rs. 125.83 Cr. in FY2023 as against Rs. 76.88 Cr. in FY2022, is estimated to range between Rs. 120-125 Cr. in FY2024. The operating profitability is ranged between 6-7.5 percent during the review period. The overall gearing which stood at 1.53 times as on March 31, 2023 as against 1.04 times as on March 31, 2022. The gearing is estimated to come back in the range of 1.05-1.25 times in the near to medium term. The debt protection metrics continues to remain comfortable and working capital cycle intensive, with GCA days ranging between 130-180 days during the period FY2021-FY2023. Going forward, the group's ability to improve its scale of operations and profitability margins while maintaining its capital structure will remain a key rating monitorable.

**About Company**

Incorporated in 2001, Astha Innovations Private Limited (AIPL) is promoted by Mr. Dharamveer Nachrani and is engaged in trading of iron and steel products. The company is based in Chhattisgarh and its product portfolio includes sponge iron, pig iron, MS billets, bloom, silico manganese, ferro manganese, ferro silicon, MS angles, MS channels and more. AIPL is a Star Export House certificate holder. It exports to countries like Nepal, Sri Lanka and Belgium. In addition, the company has a wind power plant with power generation capacity of 1.5 MW at Shajapur district in Madhya Pradesh. AIPL has entered into a power purchase agreement with Madhya Pradesh Power Corporation Limited for 25 years valid till 2036.

**About the Group**

Incorporated in 2021, Astha Ferro Alloys Private Limited (AFAPL) is a group company of AIPL and is engaged in the manufacturing of ferro alloys. The commercial operations started from October, 2021. Based in Chhattisgarh, AFAPL is promoted by Mr. Yash Nachrani and Mr. Dharamveer Nachrani.

**Unsupported Rating**

Not applicable

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

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

Acuité has consolidated business and financial risk profiles of Astha Innovations Private Limited (AIPL) and its group company Astha Ferro Alloys Private Limited (AFAPL) and are together referred to as the 'Astha Group' (AG). The consolidation is in the view of common management, financial and operational linkages between the entities.

## **Key Rating Drivers**

### **Strengths**

#### **> Long standing operations and experienced promoters**

The promoter of the group, Mr. Dharamveer Nachrani possess three decades of experience in the iron and steel industry and heads the operations of the group along with the second generation promoter Mr. Yash Nachrani and a set of capable professionals. Acuité believes that the experienced management and the long track record of the company of over two decades will continue to support the group in maintaining the long standing relations with its customers and suppliers thereby achieving the growth plans.

#### **> Stable operating performance at group level**

The group generated turnover of Rs. 125.83 Cr. in FY2023 as against Rs. 76.88 Cr. in FY2022. In 11MFY2024, the group has recorded revenue of Rs. 92.57 Cr. and is estimated to close the year at ~Rs.120-125 Cr. While AIPL trades in multiple segments sponge iron, pig iron, MS billets, bloom, silico manganese, ferro manganese, ferro silicon, MS angles, MS channels and more, AFAPL manufactures only silico manganese. In 11MFY2024, AIPL's standalone revenue stood at Rs. 28.15 Cr. and constituted of sale of only silico manganese entirely in the domestic market during this period. The export sales were muted during this period from AIPL primarily due to levy of import duty on billets in Nepal and imposition of sanctions against Sri Lanka during this period. AIPL is estimated to close the year in the range of Rs. 35-38 Cr. In case of AFAPL, in 11MFY2024 the company has reported revenue of Rs. 64.42 Cr. and is estimated to close the year in the range of ~Rs.80-82 Cr. In terms of profitability, the group recorded an improving trend in its operating margins and ranged between 4-7.5 percent in the three years ended FY2023. The group is estimated to generate similar margins in FY2024.

### **Weaknesses**

#### **> Average financial risk profile**

The group has an average financial risk profile marked by modest net worth, moderate gearing and debt protection metrics. The group's net worth stood at Rs. 29.69 Cr. as on March 31, 2023 as against Rs. 27.82 Cr. as on March 31, 2022. The improvement is primarily on account of accretion of profits to reserves. The overall gearing of the company rose to 1.53 times as on March 31, 2023 as against 1.04 times as on March 31, 2022. The increase is primarily on account of higher utilisation of short term bank facilities as on March 31, 2023. The total debt stood at Rs. 45.49 Cr. as on March 31, 2023 (PY Rs.29.01 Cr.) and included Rs. 6.61 Cr. of long term borrowings (PY: Rs. 8.51 Cr.), unsecured loans from related parties Rs. 1 Cr. (PY: Rs. 1.02 Cr.) and short term debt of Rs. 37.88 Cr. (PY: Rs.19.49 Cr.). The debt protection metrics continued to remain moderate marked by interest coverage ratio and debt service coverage ratio of 2.13 times as 1.62 times respectively in FY2023 as against 2.70 times and 1.94 times in FY2022. Driven by improved profitability in FY2023, the Debt to EBITDA improved to 4.89 times as on March 31, 2023 as against 5.91 times as on March 31, 2022. Acuité believes that the financial risk profile of the group will improve over the medium term, in absence of any major debt funded capex plans.

#### **> Working capital intensive operations**

The group's working capital cycle is intensive marked by gross current asset (GCA) days of 173 days as on March 31, 2023 as against 156 days as on March 31, 2022. The GCA days are driven by inventory and debtor days. The inventory and debtor days stood at 81 days and 61 days respectively as on March 31, 2023 as against 52 and 49 days respectively as on March 31, 2022. The inventory largely belongs to stocks maintained at AFAPL. AIPL trades on bill to ship to model, hence the inventory levels in the company are low. However, the debtor days are elongated primarily due to outstanding receivables in AIPL. AIPL debtor days stood at 125 days as on March 31, 2023 as against 77 days as on March 31, 2022. The average bank

limit utilisation stood at 46.11% in AIPL and 94.94% in AFAPL for the last eleven months ended January, 2024.

### **Rating Sensitivities**

- > Movement in scale of operations and profitability margins
- > Elongation in the working capital cycle

### **Liquidity Position**

#### **Adequate**

The group has adequate liquidity position marked by sufficient net cash accruals against repayment obligations. The group generated net cash accruals in the range of Rs. 3-4.5Cr. in FY2022-FY2023 against repayment obligations of Rs. 0.70-0.95Cr. The group is estimated to generate net cash accruals in the range of Rs. 4.50 – 7.75 Cr. in the period FY2024-FY2025 against repayment obligations of Rs. 0.94 Cr for the same period. The gross current asset days stood at 173 days as on March 31, 2023 and the average bank limit utilisation stood at 46.11% in AIPL and 94.94% in AFAPL for the last eleven months ended January, 2024. The unencumbered cash and bank balance of the group stood at Rs. 2.74 Cr. as on March 31, 2023.

### **Outlook: Stable**

Acuité believes that the outlook on AIPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and the stable operating performance at group level. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while maintaining the capital structure. Conversely, the outlook may be revised to 'Negative' in case of higher than expected decline in revenue or operating margins, deterioration in the financial risk profile or elongation in its working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	125.83	76.88
PAT	Rs. Cr.	1.76	1.76
PAT Margin	(%)	1.40	2.28
Total Debt/Tangible Net Worth	Times	1.53	1.04
PBDIT/Interest	Times	2.13	2.70

### 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
20 Feb 2024	PC/PCFC	Long Term	18.50	ACUITE BB (Reaffirmed & Issuer not co-operating*)
02 Dec 2022	PC/PCFC	Long Term	18.50	ACUITE BB   Stable (Downgraded from ACUITE BB+   Stable)
07 Sep 2021	PC/PCFC	Long Term	18.50	ACUITE BB+   Stable (Reaffirmed)
29 Jul 2021	PC/PCFC	Long Term	10.00	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.50	ACUITE BB   Stable   Reaffirmed

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

Sr No.	Particulars
1	Astha Innovations Private Limited
2	Astha Ferro Alloys Private Limited

## Contacts

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### About Acuité Ratings & Research

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