



**Press Release**  
**AIC Iron Industries Private Limited**  
**July 16, 2024**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	78.95	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	98.73	ACUITE A   Stable   Upgraded	-
Bank Loan Ratings	53.25	-	ACUITE A1   Assigned
Bank Loan Ratings	34.75	-	ACUITE A1   Upgraded
Total Outstanding Quantum (Rs. Cr)	265.68	-	-

**Rating Rationale**

ACUITE has upgraded the long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.133.48 Cr. bank facilities of AIC Iron Industries Private Limited (AIPL). The outlook is '**Stable**'.

ACUITE has assigned the long-term rating to '**ACUITE A**' (read as **ACUITE A**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.132.20 Cr. bank facilities of AIC Iron Industries Private Limited (AIPL). The outlook is '**Stable**'.

**Rationale for upgrade:**

The rating upgrade reflects the improvement in the operating margins in FY2024(Prov), stable growth of operating revenue since the last two years ended FY2024(Prov.) and sustained financial risk profile. The group continued to show stable growth in its operating income by registering a nominal growth rate of ~3.01 percent in FY2024(Prov.) However, it has registered significant growth in its operating profit margin in FY2024(Prov.) of 7.89 percent as against 5.89 percent in FY2023. The improvement in the margin is driven by a decrease in raw material prices and savings from captive power. It also considers the successful completion of various capex programs during the last two years ending FY2024 for enhancement of the manufacturing capacity of billets, sponge iron along with setting up of a 22.5 MW captive power plant leading to increased cost efficiencies and an improvement in scale of operations.

The rating, however, remains constrained by the cyclical nature of the steel industry and the volatility in commodity prices.

## About the Company

AIC Iron Industries Private Limited (AIPL) was incorporated in December 2003. Director of the company, Mr. Gyan Adukia, Mr. Sheo Pujan Singh, Mr. Dinesh Adukia, Mr. Vivek Adukia. In February 2008, the company was taken over by Adukia group of West Bengal. The company is presently engaged in manufacturing of Billets and MS Strips/pipes with installed capacity of 237000 MTPA and 100000 MTPA respectively. Its manufacturing facility is located at Purulia (West Bengal). AIPL has undertaken capex towards expansion and capacity enhancement. It has set up sponge iron plant of 105000 MTPA and Power plant of 22.5 MW. Commercial Production of Sponge Iron started from September 2023 and installation of power plant was completed in April 2024.

## About the Group

Incorporated in 2003, Raic Integrated Sponge And Power Private Limited (RISPPL) manufactures sponge iron, billets, TMT steel and silico manganese at its facility in Burdwan district, West Bengal. The directors of the company, Mr. Sheo Pujan Singh, Mr. Gyan Adukia, Mr. Dinesh Adukia, Mr. Vivek Adukia. Unit has installed capacity of 225,000 tonne per annum (MTPA) of sponge iron, 183,000 MTPA of billets, 150,000 MTPA of TMT steel, 6,000 MTPA of silico manganese and captive power plant with a capacity of 18.5 MW.

Incorporated in 2004, N N Ispat Private Limited (NNIPL) manufactures billets and thermo-mechanically treated (TMT) steel. The directors of the company, Mr. Gyan Adukia, Mr. Dinesh Adukia, Mr. Vivek Adukia, Mr. Dipak Kumar Singh. The manufacturing facility is located in Burdwan district of West Bengal with installed capacity of 2,50,000 MTPA of billets and 2,36,000 MTPA of TMT.

## Unsupported Rating

Not applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

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

ACUTE has considered the consolidated financials of N N Ispat Private Limited (NNIPL), AIC Iron Industries Private Limited (AIPL) and Raic Integrated Sponge And Power Private Limited (RISPPL). The consolidation is on account of the common management, same line of operations and significant operational and financial fungibility.

## Key Rating Drivers

### Strengths

- **Long operational track record and experienced management**

The promoters of the AIC group, the Adukia family of West Bengal, have more than two decades of experience in the iron and steel industry. The extensive experience of the promoters has helped them understand market dynamics and establish strong relationships with their customers and suppliers. The overall affairs of the AIC group are being managed by Mr. Dinesh Adukia and his brothers. The promoters are resourceful and have also supported the group companies by infusing unsecured loans as and when required to support the business operations. Acute believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Stable operating revenue along with improving profitability margins**

The operating income of the group stood at Rs.2261.18 Cr. with minimal YOY growth of 3.01 percent in FY2024(Prov.) as against Rs.2195.20 Cr. in FY2023. The group generates its revenues from the manufacturing of sponge iron, billets, silico manganese, TMT, and other rolled steel products. The reason for minimal growth of operating income is low realizations in FY2024(Prov.) as compared to FY2023 from intermediate and finished products. The group has shown improvement in the EBITDA margin in FY2024(Prov.) and stood at 7.89 percent as against 5.89 percent in FY2023, 6.39 percent in FY2022. The

improvement in the EBITDA margin is supported by backward integration measures, economies of scale benefits, and a decline in raw material costs. Further EBITDA margin is expected to improve in FY2025 from the capex that the group has achieved. The Capex will result in lower power costs and savings in transportation costs. Acuite believes the scale of operations will improve over the medium term, backed by a rise in the sale of value-added steel products such as TMT's, MS strips, and pipes, where realizations are higher in comparison to intermediate goods such as sponge iron and billet.

- **Moderate financial risk profile**

The financial risk profile of the group is moderate, marked by a healthy net worth, steady gearing, and moderate debt protection metrics. The tangible net worth of the group improved to Rs.406.97 Cr. as on March 31, 2024(Prov.) as against Rs.297.94 Cr. as on March 31, 2023 due to the accretion of net profit in the reserve and Acuite has considered unsecured loans of Rs.75.00 Cr. as on March 31, 2024, 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 1.27 times as on March 31, 2024(Prov.) as against to 1.61 times as on March 31, 2023, although there was moderate increase in the debt levels in FY2024(Prov.) due to capex commitments for its sponge iron unit and the installation of a power plant in AIPL. Debt protection metrics: interest coverage ratio and debt service coverage ratio stood at 3.76 times and 1.79 times as on March 31, 2024(Prov.), respectively as against 4.34 times and 1.84 times as on March 31, 2023, respectively. The debt to EBITDA of the group stood at 2.83 times as on March 31, 2024(Prov.), as against 3.61 times as on March 31, 2023. The calibrated capex undertaken by the group over the past years, funded through internal accruals, unsecured loans, and debt, has also helped it maintain steady leverage. Acuite also considers the successful completion of various capex programs during the last 2 fiscals for enhancement of manufacturing capacity of billets and sponge iron, along with the setting up of a 22.5 MW captive power plant, leading to improved operating margins on account of reduced material and power costs and an improvement in scale of operations. Acuite expects the leverage and coverage indicators to remain healthy in FY2025 and improve over the medium term further on the back of a surge in earnings, further boosting the profitability of the group.

- **Efficient Working capital operations**

The group's operations are efficient in terms of working capital, as marked by gross current assets (GCA) days of 98 days in FY2024 (Prov) and 83 days in FY2022 respectively. The working capital cycle remained in the said range on account of the limited credit period offered to the debtors and the moderate levels of inventory maintained by the company. Inventory days stood at 61 days in FY2024(Prov), as against 44 days in FY 2023. The reason for the increase in inventory days is that the group needs to maintain raw material inventory (iron ore coal stock) for uninterrupted production and to mitigate the risk of raw material price fluctuations. The debtor day stood at 29 days in FY2024(Prov) as against 29 days in F2023. Further, the average bank limit utilization in the last ten months ended May 24 remained at ~63 percent for fund-based. Acuite believes the working capital requirement is likely to remain similar levels over in the medium term.

## **Weaknesses**

- **Intense competition and inherent cyclical nature of the steel industry**

The company is exposed to intense competitive pressures from a large number of organized and unorganized players, along with its exposure to the inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

## **Rating Sensitivities**

- Sustainability in revenue growth and profitability margins
- Elongation of working capital cycle

- Any deterioration of its financial risk profile

### **Liquidity Position: Adequate**

Group's liquidity is adequate marked by adequate generation of net cash accruals in FY2024(Prov) to its maturing debt obligations. The Group has generated cash accruals of Rs.114.09 Cr. in FY2024(Prov) as against its long term debt obligations of Rs. 42.36 Cr. for the same period. The group is expected to generate adequate NCAs in the range of Rs.161-199 Cr. in FY2025-2026 against CPLTD of Rs.52-62 Cr. over the same period. The current ratio stood at 1.26 times as on March 31, 2024(Prov), against 1.29 times in previous year. group maintained unencumbered cash and bank balances of Rs.11.08 Cr. as on March 31, 2024(Prov), against Rs.0.43 Cr. in previous year. Further, the average bank limit utilization in the last six months ended May 24 remained at ~63 percent for fund based. Acuité believes that the liquidity of the company to remain adequate on account of the adequate generation of cash accruals.

### **Outlook: Stable**

Acuité believes that the outlook on AIC group will be 'Stable' over the medium on account of the long track record of operations, experienced management, sound business position, moderate financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' if the group witnesses significant deterioration in financial risk profile or liquidity profile due to higher than expected debt led capex plan.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	2261.18	2195.20
PAT	Rs. Cr.	72.77	53.31
PAT Margin	(%)	3.22	2.43
Total Debt/Tangible Net Worth	Times	1.27	1.61
PBDIT/Interest	Times	3.76	4.34

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Apr 2023	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	1.75	ACUITE A2+ (Assigned)
	Term Loan	Long Term	18.87	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	2.65	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	44.23	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	22.00	ACUITE A-   Stable (Assigned)
	Covid Emergency Line.	Long Term	7.98	ACUITE A-   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
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1   Upgraded ( from ACUITE A2+ )
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.00	ACUITE A   Stable   Upgraded ( from ACUITE A- )
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Bandhan Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A   Stable   Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.00	ACUITE A1   Upgraded ( from ACUITE A2+ )
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.75	ACUITE A1   Upgraded ( from ACUITE A2+ )
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1   Assigned
Indusind	Not avl.	Letter of	Not avl. /	Not avl.	Not avl.			ACUITE A1



Bank Ltd	/ Not appl.	Credit	Not appl.	/ Not appl.	/ Not appl.	Simple	28.25	Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Aug 2027	Simple	6.66	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jan 2025	Simple	1.92	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2028	Simple	11.82	ACUITE A   Stable   Upgraded ( from ACUITE A- )
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 May 2027	Simple	0.33	ACUITE A   Stable   Upgraded ( from ACUITE A- )
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 May 2027	Simple	22.30	ACUITE A   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Apr 2029	Simple	9.65	ACUITE A   Stable   Assigned
Bandhan Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jan 2029	Simple	20.00	ACUITE A   Stable   Assigned

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

Sr.No.	Company Name
1	AIC Iron Industries Private Limited
2	Raic Integrated Sponge And Power Private Limited
3	N N Ispat Private Limited

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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