



Press Release
G R INTEGRATED STEEL PRIVATE LIMITED
August 30, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	146.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	146.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 146.00 Cr bank facilities of G.R. Integrated Steel Private Limited (GRISPL). The outlook is '**Stable**'.

The rating assigned reflects the synergies derived from the background of the promoters and group companies who are into the business of iron and steel for over two decades. Further, the rating factors in the absence of any offtake/demand risk, procurement risk, funding risk on the back of the financial closure and positive industry outlook. However, these strengths are partly offset by the company's exposure to implementation risks and expected leveraged capital structure.

About the Company

Incorporated in 2021, G.R. Integrated Steel Private Limited (GRISPL) is setting up a 6,00,000 MT iron ore pellet plant & 8,50,000 MT beneficiated iron ore plant. Based in Chhattisgarh, the company is managed by Mr. Ramesh kumar Ganpatrai Agrawal, Mr. Chetan Agrawal and Mr. Keshav Kumar Agrawal.

Standalone (Unsupported) Rating

ACUITE BB/Stable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of GRISPL to arrive at the rating. While arriving at the rating of GRISPL, Acuite has taken into account a strong level of support from the GR group given that G R Sponge and Power Limited (GRSPL) and N R Sponge Private Limited (NRSPL) have an 88 per cent stake in GRISPL and corporate guarantee extended to GRISPL by GRSPL and NRSPL.

Key Rating Drivers

Strengths

Experienced management

G R group has established a long presence of over two decades in the iron and steel industry. The group is promoted by Mr. Ramesh kumar Ganpatrai Agrawal with an industry experience of over two decades and is supported by the second generation promoters Mr. Keshav Agarwal and Mr. Chetan Agrawal. Further, GRSPL and NRSPL has provided corporate guarantee to GRISPL and all the three-promoter directors of the group namely Mr. Chetan

Kumar Agarwal and Mr. Keshav Kumar Agarwal have given personal guarantee GRISPL. Acuité believes that the long track record of operations and the vast experience of the promoter will continue to support the group's growth plans going forward.

No Off-take/ Demand Risk

The company does not have as such any off take or demand risk, as the pellet plant will be a backward integration for the group and will serve the raw material requirement for the sponge iron production of the group companies engaged in the manufacturing of sponge iron. The pellets manufactured by GRISPL will be consumed by GRISPL and NRSPL, which will be used for making sponge iron and the balance expected to be sold in the open market. Total production capacity of sponge iron of the group is 3,15,000 MTPA, which has an estimated pellet requirement of 4,72,500 MTPA, which can be easily satisfied by the 6,00,000 MTPA of iron ore plant. Hence, the entire requirement of iron ore of the GR Group will be met primarily through the production from GRISPL. Further, the project is located at Mudpar Village, Bemetara District, Chhattisgarh, in close proximity to existing plants of G R Sponge and Power Limited. The company is expected to procure iron ore fines from mines of Chhattisgarh and Orissa. Acuité believes GRISPL's ability to execute the timely supply of pellets will be a key rating monitorable .

Low funding risk

The project's funding risk is low as the debt requirement has been tied up and ~53 percent of the equity requirement has already been infused as on May 31, 2023. The budgeted project cost of Rs. 214.48 crore is estimated to be funded by a debt-to-equity ratio of 1.94:1. In this project, up to May 2023, the company has incurred Rs.38.84 Cr, entirely funded by promoter's fund and group advances.

Weaknesses

Expected leveraged capital structure

The company's capital structure is expected to remain average marked by low networth base and high gearing over the medium term. The tangible net worth of the company improved to Rs.35.99 crore as on 31st March, 2023 (provisional) due to unsecured loan infusion by the group companies. Gearing of the company will increase and is expected to remain at high levels in FY2023-24 as the company plans to avail long term facility from bank for its pending construction, plant and machinery purchase and installation. The total cost of project is Rs.214.48 Cr which is to be funded partly through Rs.141.56 Cr term loan from HDFC and Canara Bank and remaining from promoter's contribution and unsecured loans. The financial closure has been achieved on the back of the agreement. In this project, up to May 2023, the company has incurred Rs.38.84 Cr, entirely funded through equity and unsecured loans. In FY24, the company is expected to use the sanctioned amount, and with this the gearing level is expected to increase in FY24. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. The scheduled time for completion of the project is August 2024. Acuité believes that going forward the financial risk profile of the company is expected to be average due to leveraged capital structure over the medium term.

Exposure to implementation risk

The project is at a nascent stage of execution, with ~18 per cent project progress as on May 31, 2023. GRISPL is scheduled to commence its commercial production in August 2024 and has already purchased the land till May, 2023. Even though the company had already infused more than half of its equity and unsecured loan, still the company is exposed to execution risk as ~82 per cent of the project cost is yet to be incurred. The management expects the commencement of trial run in the mid of August 2024. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialized, and take rating actions appropriately.

Rating Sensitivities

- Timely completion of the project without any cost or time overrun
- Timely stabilisation of operations

All Covenants

None

Liquidity Position: Adequate

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term as net cash accrual is expected to be adequate, post completion too with no off take risk and fixed conversion charge. The promoters and the group companies are expected to infuse equity and unsecured loans to support the business. The sanctioned fund based limits are expected to provide cushion to the working capital cycle post commissioning. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

Outlook: Stable

Acuité believes that GRSIPL will maintain a 'Stable' outlook on the basis of the positive outlook in the steel industry and no demand/offtake risk. The outlook may be revised to 'Positive' in case of timely stabilisation of operations without any time and cost overruns. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

Other Factors affecting Rating

NA

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1.92	2.26
PAT	Rs. Cr.	(0.09)	0.08
PAT Margin	(%)	(4.60)	3.73
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	(7.10)	0.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.44	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	66.00	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	75.00	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.56	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Srijita Chatterjee Lead Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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