



Press Release
G R INTEGRATED STEEL PRIVATE LIMITED
October 04, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	146.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	216.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**)n the Rs. 146.00 Cr. bank facilities of G R Integrated Steel Private Limited (GRISPL). The outlook is '**Stable**'.
Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**)n the Rs. 70.00 Cr. bank facilities of G R Integrated Steel Private Limited (GRISPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation reflects the completion of the project and production started on September 16, 2024. Further, the rating reflects the synergies derived from the backgrounds of the promoters and group companies who are into the business of iron and steel for over two decades. Furthermore, the rating factors include the absence of any offtake/demand risk, procurement risk and a positive industry outlook. However, these strengths are partly offset by the company's moderate financial risk profile and the inherent cyclical nature of the steel industry.

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 and 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.

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 97.60 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. Further, the cost escalation of Rs.16.44 Cr. in the project is met through promoters infusion of funds. As on 31.07.2024, Equity infusion stood at Rs.37.50 Cr. and Unsecured loan infusion at Rs.53.42 Cr.

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 GRSPL, NRSPL and Chaman Metallics Limited (CML) 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 GRSIPLs ability to execute the timely supply of pellets to its group companies will be a key rating monitorable.

Commencement of operations

The construction of the plant was completed in July 2024 and production started from September 16, 2024. Further, the company is expecting to generate Rs.180.00 Cr. of revenue in FY2025.

Acuite believes that with production started in September 2024, the scale of operations will improve strongly over the medium term.

Weaknesses

Moderate Financial risk profile

The company's capital structure is moderate with a moderate net worth and high gearing over the medium term. The tangible net worth of the company improved to Rs.66.95 Cr. as on March 31, 2024 (Prov) as against Rs.36.06 Cr. as on March 31, 2023 due to equity infusion by the promoters. The net worth includes quasi equity of Rs.29.05 Cr. which is subordinate to bank loans. Furthermore, the company has infused unsecured loans (treated under quasi-equity) of Rs.24.37 Cr. in FY2025. The total debt of the company stood at Rs. 121.28 Cr. as on March 31, 2024 (prov) which consists of term loans for the completion of the project. Further, Rs.18.72 Cr. is disbursed in FY2025. The gearing of the company stood moderate with 1.81 times as on March 2024 (prov). Acuité believes that going forward, the financial risk profile of the company is expected to improve over the medium term as operations are expected to be started in September 2024.

Intense competition and inherent cyclical nature of the steel industry

The downstream steel industry remains heavily fragmented and unorganised. The group is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

- Timely commencement and stabilisation of operations.
- Higher-than-expected improvement in the scale of operations and profitability as envisaged.

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 start of operations as there will be no off-take risk and a fixed conversion charge. Further, with the operation commencement from September 2024 and the debt repayment commencing in April 2025 (on a quarterly basis), the company has sufficient buffer time for the generation of net cash accruals for the repayment of debt.

The sanctioned fund-based limits are expected to provide cushion to the working capital cycle post commencement of operations. The unencumbered cash and bank balance stood at Rs.0.88 Cr. as on March 31, 2024 (prov).

However, the timely commencement of the project and the generation of expected cash accruals 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 completion of project and no demand/offtake risk. The outlook may be revised to 'Positive' in case of timely stabilisation of operations with generation of expected turnover. Conversely, the outlook may be revised to 'Negative' in case of slippages in commencement of operations.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	5.82	1.89
PAT	Rs. Cr.	0.31	0.01
PAT Margin	(%)	5.31	0.41
Total Debt/Tangible Net Worth	Times	1.81	0.00
PBDIT/Interest	Times	15.21	121.33

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

Not Applicable

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, 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
19 Aug 2024	Term Loan	Long Term	66.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	75.56	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.44	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
30 Aug 2023	Term Loan	Long Term	66.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	75.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.56	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	4.44	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	36.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.44	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2034	66.00	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2033	75.56	Simple	ACUITE BBB Stable Reaffirmed

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

Sr.No.	Company Name
1	G R Integrated Steel Private Limited
2	N R Sponge Private Limited
3	G R Sponge and Power Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Thejaswini P V Manager-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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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