

**Press Release**  
**SPINTECH TUBES PRIVATE LIMITED**  
**April 22, 2025**  
**Rating Assigned and Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	317.50	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	455.00	ACUITE BBB+   Stable   Reaffirmed	-
Bank Loan Ratings	12.50	-	ACUITE A2+   Assigned
Total Outstanding Quantum (Rs. Cr)	785.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Errata- In one of the instruments inadvertently the rating was assigned on a long-term scale. The detailed review of the rating was communicated through press release dated March 30, 2024.

**Rating Rationale**

Acuite has reaffirmed the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** to the Rs. 455.00 Cr. bank facilities of Spintech Tubes Private Limited (STPL). The outlook is **'Stable'**.

Also Acuite has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** to the Rs. 330.00 Cr. bank facilities of Spintech Tubes Private Limited (STPL). The outlook is **'Stable'**.

**Rationale for the rating**

The rating reaffirmation of the group takes into account the sound business position of the group as reflected from its growing revenue trend coupled with management's long track record in the sector, healthy financial profile characterized by comfortable gearing and strong debt protection metrics. The rating also draws comfort from the strong liquidity position of the group, aided by efficient working capital management, comfortable current ratio and cushion available in the group's working capital limits. The ratings, however, factor in the group's significant capital expenditure (capex) plans in Spintech Tubes Pvt Ltd to be incurred over FY2024-FY2026, which is exposed to implementation risk and also result in a marginal moderation in their gearing levels. Also rating is partly offset by the cyclical nature of the steel industry and the vulnerability of the margins to the volatility in commodity prices.

**About the Company**

STPL was incorporated by the Gagan group in February, 2017 for setting up an integrated manufacturing unit at Jamuria, West Bengal. STPL currently has undertaken a project for setting up a pellet plant (600,000 MTPA), a sponge iron plant (150,000 MTPA), a SMS (180,000 MTPA), a Rolling mill (180,000 MTPA) and captive power plant of 20MW. The total cost of the project is envisaged at Rs. 790.81 Cr which is proposed to be funded by a term loan of Rs. 455 Cr, and balance through internal accruals and promoter's contribution. The construction for the pellet plant has been completed in January 2024. Till date, STPL earned revenue through trading of scrap, iron, steel and billets. The implementation risk for STPL is high as the company is still in project stage and has only completed the construction of 1 plant till date raising the possibility of slight delays and project completion issues.

**About the Group**

The group consists of 3 more entities namely Gagan Ferrotech Limited (GIPL), Gajanan Iron Pvt. Ltd. (GIPL) and Shakambhari Overseas Trades Pvt. Ltd. (SOTPL).

GFL is the flagship entity of the Gagan Group. GFL is promoted by Mr. Vinay Kumar Agarwal and family. The company was initially engaged in trading of coal. Since 2006, it ventured into the manufacturing of sponge iron and

thereafter through forward integration through set up its billets and rolling mill units. GFL is currently engaged in the manufacturing of sponge iron, billets and TMT bars. The manufacturing unit is located at Jamuria. Currently, Gagan Ferrotech Ltd. has integrated steel manufacturing facilities for sponge iron (capacity- 2,52,000 MTPA), Billet (capacity – 3,48,000 MTPA), TMT bars and wires (capacity – 3,36,000 MTPA). In addition, the company also has a captive power plant of 20 MW.

GIPL was incorporated in 2005 and is engaged in manufacturing of MS Angles (96,000 MTPA). Gajanan Iron Private Limited incurred capex of Rs 55 Cr. for setting up an induction furnace. The capex for the same is completed and the furnace has started production. Out of the total project cost of Rs. 55 Cr, Rs. 26.62 Cr. was incurred from promoter's contribution and out of the bank loan which was sanctioned for Rs. 39 Cr, the company has utilised Rs. 28.36 Cr.

SOTPL is engaged in manufacturing of cast iron (12,400 MTPA). The company has undertaken a backward integration initiative in the foundry division, and production commenced in October 2023. This backward integration specifically pertains to cast iron production. Hence going forward there has been a product diversification in the company wherein they will be selling cast iron having higher margins and along with the same they have installed the backward integrated foundry. Hence the company will focus solely on cast iron and the foundry division. Also, company has shut down the industrial gases division along with the MS. Ingots division since the same was having lower profit margins. Shakambhari Overseas Tubes Private Limited incurred capex of Rs. 75.02 Cr. for setting up of foundry division. The capex for the same was completed in FY23 and the furnace has turned operational. Out of the total project cost of Rs. 75.02 Cr, Rs. 37.52 Cr. was promoter's contribution and Rs. 37.50 Cr. was bank loans.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

#### **Extent of Consolidation**

- Full Consolidation

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

Acuité has consolidated the business and financial risk profiles of Gagan Ferrotech Ltd (GFL), Gajanan Iron Pvt. Ltd. (GIPL), Shakambhari Overseas Trades Pvt. Ltd. (SOTPL) and Spintech Tubes Pvt. Ltd. (STPL) together referred to as the 'Gagan Group' (GG). The consolidation is in the view of common promoters and management, intercompany holdings, operational linkages between the entities and a similar line of business.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record of operations and strategic location of the plant**

Promoters are associated with the steel industry for over two decades and have established forward as well as backward integrated operations. Group has a diversified product mix which includes pellets, sponge iron, billets, TMT bars and cast iron. Acuité believes that the long operational track record of Gagan group and promoters' extensive understanding and expertise will support the group's growth plans going forward. Moreover, the group has a locational advantage as the plants are located in the industrial area of Durgapur, West Bengal, which is in close proximity to various steel plants and sources of raw materials. Further the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods.

##### **Augmentation in scale of operations despite decline in profitability**

Gagan Group witnessed a growth of ~10.45% YoY in its scale of operations in FY23 at Rs. 2173.20 Cr. as against Rs. 1967.56 Cr. in FY22. The augmentation in the scale of operations was on account of buoyant demand, increased contribution from the recently enhanced capacities, better product diversity and favourable sales realisations. However, despite augmentation in the scale of operations, the profitability of the group declined in FY23 as reflected in the EBITDA margins which stood at 5.47% in FY23 as against 6.57% in FY22. The PAT margins of the group also declined and stood at 2.37% in FY23 as against 3.25% in FY22. The decline in PAT margins is due to subsequent increase in interest cost on account of higher working capital requirements. Despite a decline in the margins of the group, operating profit per tonne of steel sold has demonstrated a year-on-year increase.

#### **Healthy Financial Risk Profile**

The financial risk profile of the group is healthy marked by healthy network, low gearing and comfortable debt protection metrics. The tangible network of the group stood Rs. 974.82 Cr. in FY23 as against Rs. 815.37 Cr. in

FY22. Acuite has considered unsecured loans to the tune of Rs. 30 Cr. from Gajanan Iron Private Limited) as on March 31, 2023 as part of networth as these loans are subordinated to bank debt. Gagan Ferrotech Limited has repaid its long-term debt in FY23. Gagan Group has infused additional equity of Rs. 3.98 Cr. in Spintech Tubes Private Limited in FY23 for funding the construction of the plants in the company.

The debt outstanding of the group in FY23 comprises of long-term debt of Rs. 100.75 Cr, Rs. 65.81 Cr. of non-interest bearing unsecured loans from promoters and Rs. 188.49 Cr. of short-term debt. The increase in debt levels in FY23 is on account of additional loans taken by STPL to complete the construction. The gearing of the group improved and stood at 0.36 times in FY23 as against 0.43 times in FY22. The TOL/TNW stood at 0.56 times in FY23 as against 0.61 times in FY22. The debt protection metrics remained comfortable with debt service coverage ratio of 3.04 times and interest service coverage ratio stood at 6.83 times in FY23. Acuite expects while these new capex initiatives would increase the debt levels, healthy revenues and profits generated from the existing business are expected to adequately support the financial profile over the medium term, followed by limited debt repayment obligations. ' Capex of ~Rs 800 - 850 Cr. is expected over the next 2-3 years in the group companies, which is expected to be largely funded by a term loan of Rs. ~Rs 500 Cr, but given the healthy cash generation, Acuite does not foresee any material impact on group's capital structure and debt metrics. Higher-than-expected debt-funded capex resulting in deterioration in debt metrics and capital structure will remain a key rating sensitivity factor.

The working capital operations of the group are efficient in nature marked by 23 days in FY23 as against 22 days in FY22. GCA days of the group stood at 112 days in FY23 as against 114 days in FY22. The group maintains inventory levels of 54 days in FY23 as against 62 days in FY22. Generally, the group maintains 2-2.5 months of inventory of iron ore and coal to mitigate the price volatility for which significant amount of advances is paid to the suppliers. The Creditor days of the group stood at 3 days in FY23 as against 7 days in FY22. The company receives 25- 30 days credit period from the suppliers. The average bank limit utilisation by the group stood at 44.13% for fund based facilities and 29.59% for non-fund facilities till October 2023.

Acuite believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium

## **Weaknesses**

### **Moderation in profitability margins**

The profitability of the group has moderated in FY23 as reflected in the EBITDA margins which stood at 5.47% in FY23 as against 6.57% in FY22 on account of an extraordinary expense in Gagan Ferrotech Limited from increase in the power cost by Damodar Valley Corporation (DVC) and additional demand for Rs. 53.72 crore against tariff adjustment for the period of 2020-2022. Gagan Group along with all other steel companies have made an appeal against the same. The decline in margins in FY22 was on account of rise in energy and raw material costs (coking and thermal coal, refractories and ferroalloys). The PAT margin also declined to 3.25 per cent in FY2022 from 3.81 per cent FY2021 due to subsequent increase in interest cost on account of higher working capital requirements. In line with EBITDA margin, the PAT margins of the group also declined and stood at 2.37% in FY23 as against 3.25% in FY22. The decline in PAT margins is due to subsequent increase in interest cost on account of higher working capital requirements.

### **Project implementation risk**

Spintech Tubes Pvt. Ltd. (STPL) currently has undertaken a project for setting up a pellet plant (600,000 MTPA), a sponge iron plant (150,000 MTPA), a SMS (180,000 MTPA), a Rolling mill (180,000 MTPA) and captive power plant of 20MW. The construction for the pellet plant has been completed in January 2024. Till date, STPL earned revenue through trading of scrap, iron, steel and billets. The implementation risk for STPL is high as the company is still in project stage and has only completed the construction of 1 plant till date raising the possibility of slight delays and project completion issues.

Acuite notes that the company has been regularly incurring capex in the last few years for debottlenecking and improving efficiency.

### **Cyclical nature of the industry**

The group's performance remains vulnerable to cyclicity in the steel sector as demand for steel depends on performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the group is exposed to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods

## **Rating Sensitivities**

- Sustainability in revenue growth with continued volume growth, supported by high capacity utilisation
- Elongation of working capital cycle
- Timely completion of the ongoing capex

## **Liquidity Position**

### **Strong**

The liquidity position of the group remained strong on account of adequate net cash accruals against its repayment obligations. The net cash accruals of the group stood at Rs. 89.13 Cr. in FY23 as against Rs. 16.85 Cr. of repayment obligations in FY23. The net cash accruals is expected to be in the range of Rs. 105.60 Cr. – Rs. 172.13 Cr. from FY24-FY26. Furthermore, the average bank limit utilisation by the group for six months ended October 2023 stood at 44.13% for fund based facilities and 29.59% for non-fund facilities. The same is supported by efficient working capital nature of operations marked by GCA days of 112 days in FY23 compared against 114 days in FY22. Besides, the company had a cash balance of Rs. 91.15 Cr. in FY23. Acuité believes that going forward the group will continue to maintain strong liquidity position owing to steady accruals backed by improvement in earnings led by high demand.

### **Outlook: Stable**

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position, healthy 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' in case of decline in the company's revenues or profit margins, or in case of deterioration in the Group's financial risk profile or delay in completion of its projects or further 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.	2173.20	1967.56
PAT	Rs. Cr.	51.51	63.96
PAT Margin	(%)	2.37	3.25
Total Debt/Tangible Net Worth	Times	0.36	0.43
PBDIT/Interest	Times	6.83	8.86

### 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
01 Feb 2024	Term Loan	Long Term	165.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	150.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE BBB+   Stable (Reaffirmed)
04 Nov 2022	Term Loan	Long Term	165.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	150.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE BBB+   Stable (Reaffirmed)
07 Jan 2022	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB+   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	440.00	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
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE BBB+   Stable   Assigned
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB+   Stable   Assigned
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB+   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE A2+   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2031	165.00	Simple	ACUITE BBB+   Stable   Reaffirmed
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2032	70.00	Simple	ACUITE BBB+   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2032	150.00	Simple	ACUITE BBB+   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	70.00	Simple	ACUITE BBB+   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	70.00	Simple	ACUITE BBB+   Stable   Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	50.00	Simple	ACUITE BBB+   Stable   Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	35.00	Simple	ACUITE BBB+   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	30.00	Simple	ACUITE BBB+   Stable   Assigned

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

Sr. No.	Company name
1	Gagan Ferrotech Limited (Flagship Company)
2	Gajanan Iron Private Limited (Group Company)
3	Shakambhari Overseas Trades Private Limited (Group Company)
4	Spintech Tubes Private Limited (Group Company)



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### About Acuité Ratings & Research

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