



Press Release

Yashoda Nandan Ispat Private Limited

November 27, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	75.00 (including proposed limit of 3.60)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	25.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	100.00 (Rupees one hundred crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Yashoda Nandan Ispat Private Limited (YNIPL) derives comfort from its experienced promoters, locational advantage and efficient working capital management. However, these rating strengths are partially offset by initial years of its operation, susceptibility of operating margin to volatility in raw material prices and finished goods, exposure to intense competition, moderate financial risk profile marked by moderate capital structure with moderate debt protection metrics and cyclical in the steel industry. The stable outlook reflects Infomerics' expectation that the company will continue to benefit from its locational advantage and expected improvement in steel demand and better sales realisation.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis

Downward Factors

- Decline in the revenue and/ or profits leading to moderation in cash accruals on a sustained basis



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- Any unplanned capex or withdrawal of subordinated unsecured loans leading to moderation in the capital structure with moderation in overall gearing ratio to more than 2.5x and/or moderation in debt coverage indicators with moderation in interest coverage ratio to below 2x
- Elongation in the operating cycle leading to moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters are well experienced in the steel industry through their other companies in operation for about a decade. The director Mr. Ayush Agarwal is also in the board of Agarsen Rerollers Pvt Ltd since 2018 which is in manufacturing of MS Pipes and MS Strips.

Locational advantage

The manufacturing facilities of the company is in Raipur, district of Chhattisgarh which is known as steel hub and is in close proximity to various manufacturers of sponge iron, pig iron and iron scrap. Further, the company has ease of access to raw materials as the plant site is well connected by road and rail to all major big cities and towns. This ensures timely availability of raw materials, which helps in improving efficiency in production. The presence in steel belt reduces the business risk to an extent.

Efficient working capital management

The efficient working capital management of the company is marked by the operating cycle of 16 days as in FY24 [FY refers to the period from April 01 to March 31]. The low operating cycle is primarily on account of low debtor period and inventory period. The average debtor period and average inventory holding period stood comfortable at 12 days and 10 days respectively in 2024.

Key Rating Weaknesses

Initial years of operation

The company started its operation in January 2023 hence has a small track record of operation. However, notwithstanding its small track record the company has achieved a



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revenue of Rs.398.96 crores in FY2024 on account of growing demand for TMT bars. Further, the company has achieved a revenue of Rs.184.48 crores in H1FY2025. The sustenance in the growth of the revenue will be a rating sensitivity in the medium term.

Susceptibility of operating margin to volatility in raw material prices and finished goods

Since the raw material is the major cost driver (constituting about 79% of total revenue) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors. The company has earned an EBIDTA margin of 3.99% in FY24. The movement in profit margins going forward will remain a key rating monitorable.

Exposure to intense competition

The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including YNIPL.

Moderate financial risk profile marked by moderate capital structure with moderate debt protection metrics

The company has a moderate net worth base (ATNW) of Rs.30.85 crore as on March 31, 2024, including the subordinate unsecured loan to the tune of Rs.17.32 crore as quasi equity. Further, the capital structure of the company remained moderate with long term debt equity ratio and overall gearing ratio of 1.09x and 2.19x as on March 31, 2024 (considering subordinated unsecured loan from the promoter/directors). Total indebtedness reflected by TOL/ATNW stood moderate at 2.71x as on March 31, 2024. The debt protection metrics of the company also stood moderate in FY24. Total debt /GCA and Total debt/EBITDA remained moderated at 8.27 years and 4.24x respectively as on March 31, 2024. Further, the interest coverage ratio stood satisfactory at 2.14x in FY24. The company's ability to improve its capital structure while maintaining its debt coverage indicators will be a key rating monitorable going forward.

Exposure to cyclicalities in the steel industry



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The domestic steel industry is highly cyclical in nature and has witnessed prolonged periods of downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate marked by its expected healthy cash accruals against its debt repayment obligation in the near term. The company has projected to earn gross cash accruals in the range of ~Rs.11.03 – Rs.15.84 crore as against its projected debt repayment obligation in the range of ~Rs. 3.60 – Rs.6.95 crore during FY25-27. The overall gearing remained moderate at 2.19x as on March 31, 2024 (considering subordinated unsecured loans to the tune of Rs.17.32 crore as quasi equity) indicating a moderate gearing headroom. Further, the average utilisation for fund-based working capital utilization for last 12 months ending September 2024 stood at ~65% indicating a sufficient buffer.

About the Company

Incorporated in 2023, Yashoda Nandan Ispat Private Limited (YNIPL) was promoted by Mr. Raj Agarwal, Mr. Lalit Goyal and Mr. Ravikant Agarwal. The promoters acquired the existing and running plant of Gravity Ferrous Private Limited in January 2023. FY2024 is the first operational year of the company under the new management. YNIPL engaged in manufacturing of MS Billets and TMT bars with an installed capacity of 90000 MTPA and 60000 MTPA respectively. The manufacturing unit of the company is located at Chhattisgarh.

Financials (Standalone): FY24 is the first year of commercial operation.

(Rs. crore)	
For the year ended/ As on*	31-03-2024
	Audited
Total Operating Income	398.65



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EBITDA	15.91
PAT	0.91
Total Debt	67.51
Tangible Net Worth	13.53
Adjusted Tangible Net Worth	30.85
EBITDA Margin (%)	3.99
PAT Margin (%)	0.23
Overall Gearing Ratio (x)	2.19
Interest Coverage (x)	2.14

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Term Loan	Long Term	31.40	IVR BBB-; Stable	-	-	-
2.	Proposed Term Loan	Long Term	3.60	IVR BBB-; Stable	-	-	-
3.	Cash Credit	Long Term	40.00	IVR BBB-; Stable	-	-	-
4.	Letter of Credit	Short Term	25.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March 2031	31.40	IVR BBB-; Stable
Proposed Term Loan	-	-	-	-	3.60	IVR BBB-; Stable
Cash Credit	-	-	-	-	40.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	25.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Yashoda-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

