



Press Release

Pushpganga Minerals LLP

July 21, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Cash Credit	15.00	IVR BBB - /Positive (IVR Triple B Minus with Positive Outlook)	Assigned
Short Term Non-Fund Based Bank Facilities – Letter of Credit	15.00	IVR A 3 (IVR A Three)	Assigned
Total	30.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Pushpganga Minerals LLP (PGMLLP) derives comfort from strong parentage of the Agrasen Group and strong support from group synergy, established marketing arrangements of the group with reputed clientele, stable operating performance with comfortable capital structure marked by minimum near term debt repayment obligation for the trading companies of the group. However, these rating strengths are partially offset by PGMLLP's short track record of operations, thin profit margin with working capital-intensive nature of operations, intense competition in the operating spectrum and exposure to cyclicity in the steel industry. The outlook is positive on the back of expected improvement in revenue, cash accruals and debt protection metrics in the near to medium term for the trading companies of the Agrasen group.

Key Rating Sensitivities:

Upward factors

- Sustained & significant improvement in revenue & profit margins
- Sustenance of the capital structure while maintaining the debt protection parameters
- Efficient working capital management with improvement in liquidity
- Group support

Downward factors

- More than expected dip in operating income and/or decline in profit margins impacting the debt coverage indicators
- Moderation in the capital structure with deterioration in the overall gearing to over 1.5x
- Elongation in the operating cycle impacting the liquidity



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Parentage of the Agrasen group and strong support from group synergy

The Agrasen group is one of the established groups of Chhattisgarh founded by the Agrawal family of Raipur, Chhattisgarh along with their relatives. The group has vast experience in the manufacturing and trading of steel products through various companies under its fold. Currently, the Agrasen group has two business verticals – Trading and Manufacturing. Under manufacturing vertical, the group is engaged in manufacturing of steel wires, Ms. Ingot, Billets and steel rolled products. Under trading vertical the group is engaged in trading of various steel products. Engagement in both manufacturing and trading operations provides strong operational synergy to the group companies. All the trading companies are largely interlinked with the manufacturing companies under the group and work as their procurement or sales counter parties.

Established marketing arrangements with stable operating performance

The Agrasen group has its own established marketing arrangements with various steel products dealers on the back of its more than a decade long operation in the steel trading/manufacturing segment. With an established presence, the combined Total Operating Income (TOI) improved from Rs.314.16 crore in FY18 to Rs.330.53 crore in FY19 on account of increase in volume sales as well as sales realization. Further, the total operating income increased to ~Rs.417.14 crore in FY20 (Provisional). The growth was mainly attributable to commencement of trading operations of Pushpganga Minerals LLP (PGMLLP) from April, 2019 onwards which aided to the increase in the combined TOI.

Reputed clientele

The trading companies of the Agrasen Group, are empanelled vendors of large companies like RIL, L&T, Indian Railways, GAIL, BHEL, ONGC and NALCO and supplies varied grades of iron and steel products.

Stable financial risk profile and capital structure with minimum near term debt repayment obligation

The financial risk profile of the group is marked by comfortable capital structure backed by its healthy net worth with minimal long-term debt and moderate debt protection metrics. The



Press Release

combined net worth of trading companies of the group stood modest at Rs.31.92 crore as on March 31,2019. Overall gearing remained moderate at 1.72x as on March 31, 2020 (Prov.) (1.24x as on March 31, 2019). Interest coverage ratio remained moderate at 1.57x in FY20 (Prov.) (1.76x in FY19). Total indebtedness of the group also remained comfortable at 2.02x as on March 31,2020 (Prov.). Further, the trading companies of the group has minimal debt repayment obligations in the near to medium term which provides comfort.

Key Rating Weaknesses

Intense competition

Steel trading operations are highly competitive due to presence of many organized and unorganized players in the industry which restrict the profitability of the companies to a large extent.

Thin profit margin

The trading entities – Agrasen Ispat Private Limited (AIPL), Hindusthan Loha Limited (HLL) and Pushpganga Minerals LLP (PGMLLP) operates with a thin margin due to less value additive nature of their operations and intense competition in the operating spectrum. The EBIDTA margin of the group remained thin and range bound between 2- 3% over the last three years (FY17-FY19). Driven by low EBITDA margin, the PAT margin also remained thin during the aforesaid period.

Working capital intensive nature of operations

The operations of all the companies of the group are working capital intensive since the company needs to provide average credit period of around 3 months to its customers in view of intense competition in the industry. Further, it avails credit period of around one month from its suppliers. The group generally maintains inventory of only around 2-3 days as it is able to procure the inventory from its other group companies engaged in manufacturing operations at a short notice.

Cyclicality in the steel industry

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on the company's performance in view of its direct linkage to the fortunes of Steel industry.

Analytical Approach: Combined Approach



Press Release

For arriving at the rating, Infomerics has combined the financial risk profiles of Agrasen Ispat Private Limited (AIPL), Hindusthan Loha Limited (HLL) and Pushpganga Minerals LLP (PGMLLP) referred as Agrasen group (Trading) as these entities are under a common management and have strong operational linkages and cash flow fungibility. The list of companies is given in **Annexure 2**.

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity of the Agrasen group (Trading) is expected to remain adequate in the near to medium term in view of its expected sufficient cash accruals in comparison to its minimal debt repayment obligation. Further, the group has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. However, average utilisation of working capital limits remained on the higher side during the past twelve months ended May, 2020 indicating limited buffer.

About the Company

Pushpaganga Minerals LLP (PGMLLP) is a partnership firm incorporated on 01.01.2019 with the objective of Import and Trading of Coal, Coke, Iron Ore and all kind of Minerals and iron and steel products. The commercial operations were started from April, 2019 onwards. The partners of the firm are members of the Agarwal family, Mr. Vipin Kumar Aggarwal (45%), Ms. Ritu Agrawal (45%) and Mahamaya Spong Iron Private Limited (10%; MSIPL is one of the group companies under Agrasen Group).

PGMLLP is a part of the Agrasen Group of Raipur having an experience of over 15 years in the steel industry. With integrated manufacturing facilities, the group has presence in sponge iron, billet and rolled products. The day to day operations of the firm are looked after by Mr. Vipin Kumar Aggarwal who have an experience of over a decade in the steel industry. He is supported by a team of experienced and qualified professionals.

About the Group

The Agrasen group is founded by the Agrawal family of Raipur, Chhattisgarh. The group has vast experience in the manufacturing and trading of steel products through various companies



Press Release

under its fold. The Agrawal family started their business operations with trading of steel products and gradually ventured in manufacturing operations in 2002. Currently, the Agrasen group has two business verticals – Trading and Manufacturing. Under manufacturing vertical, the group is engaged in manufacturing of steel wires, Ms. Ingot, Billets and steel rolled products. Under trading vertical the group is engaged in trading of various steel products.

Financials (Combined):

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	330.53	417.14
EBITDA	9.06	11.46
PAT	2.65	4.19
Total Debt	39.48	81.04
Tangible Net worth	31.92	43.13
EBITDA Margin (%)	2.74	2.75
PAT Margin (%)	0.80	1.00
Overall Gearing Ratio (x)	1.24	1.72

*As per Infomerics' Standard

Financials (Standalone): The firm was incorporated on January, 2019 and there were no operations till March 31, 2019. Hence, there is no past financials for the same. The FY20 provisional financials is mentioned below:

For the year ended* / As On	31-03-2020
	Provisional
Total Operating Income	81.55
EBITDA	3.09
PAT	1.37
Total Debt	22.86
Tangible Net worth	8.41
EBITDA Margin (%)	3.79
PAT Margin (%)	1.68
Overall Gearing Ratio (x)	1.83

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	15.00	IVR BBB-/ Positive Outlook	-	-	-
2.	Letter of Credit	Short Term	15.00	IVR A3	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: hdidwania@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.00	IVR BBB- / Positive Outlook
Short Term Bank Facilities – Letter of Credit	-	-	-	15.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Agrasen Ispat Private Limited (AIPL)	Full consolidation
Hindusthan Loha Limited (HLL)	Full consolidation
Pushpganga Minerals LLP (PGMLLP)	Full consolidation