July 31, 2026

Agni Steels Private Limited: Ratings reaffirmed; Outlook changed to Stable from Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Term loans	80.31	55.20	[ICRA]A- (Stable); reaffirmed and outlook changed to Stable from Negative	RBI
Working capital facilities	200.00	200.00	[ICRA]A- (Stable); reaffirmed and outlook changed to Stable from Negative	RBI
Letter of credit	10.00	10.00	[ICRA]A2+; reaffirmed	RBI
Unallocated limits	49.05	74.16	[ICRA]A- (Stable); reaffirmed and outlook changed to Stable from Negative	RBI
Total	**339.36**	**339.36**		

**Instrument details are provided in Annexure I*

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Rationale

The revision in the outlook on Agni Steels Private Limited's (ASPL) long-term rating to Stable from Negative reflects a sustained improvement in the company's earnings and a gradual deleveraging through scheduled debt repayments over the years. This resulted in stronger leverage and debt coverage metrics in FY2026, with the total debt/OPBDITA improving to 2.1 times (PY 2.8 times) and interest coverage increasing to 6.2 times (PY 4.2 times).

The reaffirmation of the ratings continues to factor in ASPL's established operational track record and the extensive experience of its promoters. The company's AGNI TMT brand enjoys a strong market position in Tamil Nadu and Kerala due to its quality specifications, allowing the company to command a premium pricing compared to the regional competitors, which supports the profitability to an extent. ICRA believes that ASPL's premium pricing can enable profitable operations even during periods of significant industry downturns.

The ratings further consider ASPL's steady earnings, with the company reporting operating margins in the range of 6.2-7.3% over the past three financial years ended FY2026. The operating margins have been supported by the various cost optimisation steps undertaken by the company, including lower power costs through captive renewable power generation and its ability to quote a premium over market TMT prices, though the margins are partially offset by the high salary payouts to the promoters.

ASPL also benefits from being moderately backward integrated with captive facilities for manufacturing sponge iron and MS billets along with captive power generation assets, which partially meet its power requirements and support its overall cost competitiveness.

ICRA notes the company plans to increase its TMT manufacturing capacity to 2,92,000 MT (existing: 2,19,000 MT) and will also enhance its billet manufacturing capacity, which is proposed to be debt funded. In addition, the proposed increase in stake in the South Africa associate company through its wholly-owned subsidiary, ISR International DMCC, Dubai, which will also be partly funded through a term debt, is expected to temporarily moderate ASPL's leverage indicators in FY2027. Nevertheless, the leverage profile is likely to improve FY2028 onwards, supported by higher earnings arising from the anticipated cost efficiencies, operating benefits and incremental volumes from the proposed capacity expansion at ASPL. Accordingly, a timely completion of the capex within the budgeted cost and achievement of the envisaged operational and financial benefits from the expansion will remain a key monitorable.

The ratings, however, continue to remain constrained by ASPL's high geographical concentration, with a significant share of revenues generated from Tamil Nadu and Kerala, and the intense competition in the fragmented and commoditised long steel industry, which partly limits the pricing flexibility. The ratings also factor in the inherent cyclicality of the steel sector and the company's exposure to fluctuations in raw material prices and end product realisations. Further, sizeable payouts to promoters have moderated the return indicators.

The Stable outlook on the rating reflects ICRA's expectation that ASPL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's capex and investment will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established operational track record of the company and significant experience of the management – ASPL benefits from over three decades of operational track record in the metal and allied products industry, evident from its established AGNI TMT brand, the extensive dealer network and a steady scale-up of operations over the years.

Steady earnings; strong brand presence enables ASPL to enjoy premium pricing – In FY2026, ASPL's revenue increased to Rs. 1,117.2 crore from Rs. 1,077.1 crore in FY2025, primarily driven by a ~6% growth in TMT bar sales volumes, despite a marginal moderation in average realisations in line with the broader market trends. ASPL continues to report steady earnings with operating margins in the range of 6.2-7.3% over the past three financial years ended FY2026. The company's operating margin is supported by moderately backward-integrated operations and cost optimisation initiatives, including lower power costs through its captive renewable power generation facilities. ASPL also benefits from the strong market presence of its AGNI TMT brand in Tamil Nadu and Kerala, backed by consistent product quality, competitive dealer incentives and an extensive dealer network. The strong brand presence enables the company to command premium realisations over prevailing TMT market prices, thereby supporting profitability.

Moderate backward-integrated plant with captive facilities for sponge iron, MS billets and power – ASPL benefits from its moderately backward-integrated operations, supported by captive facilities for the production of sponge iron, MS billets and power. The company's billet requirements are largely met through captive production, providing greater control over costs and raw material availability. Further, the captive power generated from renewable energy assets contributes to power cost savings. In FY2026, ASPL's operating profitability benefited from higher captive power generation, with approximately ~39% of its power requirement being met through captive sources compared to around ~35% in FY2025.

Credit challenges

High geographical concentration risk – In FY2026, ASPL derived ~82% of its revenues from Tamil Nadu, where the AGNI TMT brand enjoys a strong market presence. The company also derives revenues from Kerala (~9%) and Karnataka (~8%). While the consistent revenue contribution from Tamil Nadu over the years reflects ASPL's ability to maintain its market position and brand strength in the state, it also exposes the company to geographical concentration risk.

Intense competition in highly fragmented and commoditised steel market; margins susceptible to volatility in raw material price – ASPL operates in the long steel products industry, which is characterised by intense competition due to low product differentiation and relatively low entry barriers, restricting the pricing flexibility of players such as ASPL. Also, the operations are raw material intensive, with raw materials and consumables accounting for over 65% of ASPL's operating income over the last three fiscals, exposing it to volatility in major raw material prices.

Exposure to cyclicality inherent in steel industry – The domestic steel industry is cyclical in nature, resulting in volatile cash flows for steel players, including ASPL. The company's operations are vulnerable to adverse changes in the demand-supply dynamics in the construction sector, especially in Tamil Nadu, Kerala and Karnataka. However, ICRA notes that ASPL's premium pricing has enabled it to report profitable operations even during periods of deep industry downturn, such as the metal meltdown in FY2016 when the company reported a modest net profit of Rs. 4.71 crore.

Sizeable payouts to promoters impact return indicators – ICRA notes that ASPL's payouts to promoters have remained elevated in the past and continued to be so through FY2026. Such sizeable payouts, in the form of director remuneration, impact the business return indicators to a certain extent, although these indicators remained comfortable on an absolute basis.

Liquidity position: Adequate

ASPL's liquidity position is adequate, supported by steady cash flow from operations and adequate undrawn working capital lines. The average utilisation of the working capital limits against the drawing power is at 70% for the 15 month ended June 2026. Further, the company had free liquidity of Rs. 29.3 crore as on March 31, 2026. ASPL has scheduled debt repayment obligations of ~Rs. 19.5 crore in FY2027 and ~Rs. 23.1 core in FY2028 which are expected to be adequately met through the cash flow from operations. However, the planned debt-funded capacity expansion and the proposed investment in the associate entity are likely to moderate the company's liquidity position over the near term, although it is expected to remain adequate.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if ASPL's earnings improve significantly, leading to strengthening of the credit metrics.

Negative factors – Pressure on ASPL's ratings could arise if debt-funded capex and investments in group companies are materially higher than envisaged, resulting in a weakening of the leverage and debt coverage metrics on a sustained basis. A sustained decline in earnings could also exert pressure on the ratings. A specific credit metric for downgrade would be a total debt/OPBIDTA of more than 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate credit rating methodology Iron & Steel
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Agni Steels Private Limited and its wholly-owned subsidiary, ISR International DMCC, Dubai

About the company

ASPL is engaged in the manufacturing and selling of TMT (thermo mechanically treated) bars under the brand, AGNI TMT. ASPL has an installed TMT bar manufacturing capacity of 219,000 MTPA, supported by backward-integrated facilities to produce sponge iron, MS billets and power. The sponge iron and billets produced are primarily utilised for captive consumption, while the captive power generation partially meets the company's energy requirements. ASPL's manufacturing facilities are at Erode, Tamil Nadu.

Incorporated in 1989, ASPL is jointly promoted by Mr. M Chinnasami, Mr. R Krishnamoorthy and Mr. K Thangavelu who are first-generation entrepreneurs. The second generation of the promoter family is now actively involved in the company's day-to-day operations and management, supporting business continuity and succession planning.

Key financial indicators (audited)

ASPL standalone	FY2025	FY2026*
Operating income	1,077.1	1,117.2
PAT	31.6	44.7
OPBDIT/OI	6.7%	7.3%
PAT/OI	2.9%	4.0%
Total outside liabilities/Tangible net worth (times)	1.1	0.9
Total debt/OPBDIT (times)	2.8	2.1
Interest coverage (times)	4.2	6.2

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	July 31, 2026	Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit - Fund based	Long term	200.00	[ICRA]A- (Stable)	Aug 07, 2025	[ICRA]A- (Negative)	Aug 22, 2024	[ICRA]A- (Negative)	July 13, 2023	[ICRA]A- (Stable)
Long term - Term loan - Fund based	Long term	55.20	[ICRA]A- (Stable)	Aug 07, 2025	[ICRA]A- (Negative)	Aug 22, 2024	[ICRA]A- (Negative)	July 13, 2023	[ICRA]A- (Stable)
Short term - Letter of credit - Non-fund based	Short term	10.00	[ICRA]A2+	Aug 07, 2025	[ICRA]A2+	Aug 22, 2024	[ICRA]A2+	July 13, 2023	[ICRA]A2+
Long term – Unallocated - Unallocated	Long term	74.16	[ICRA]A- (Stable)	Aug 07, 2025	[ICRA]A- (Negative)	Aug 22, 2024	[ICRA]A- (Negative)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loans	Simple
Working capital facilities	Simple
Letter of credit	Simple
Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
NA	**Term loans**	March-2019	NA	FY2031	55.20	[ICRA]A-(Stable)	RBI
NA	**Cash credit**	-	-	-	200.00	[ICRA]A-(Stable)	RBI
NA	**Letter of credit**	-	-	-	10.00	[ICRA]A2+	RBI
NA	**Unallocated**	-	-	-	74.16	[ICRA]A-(Stable)	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Agni Steels Private Limited	100% (rated entity)	Full consolidation
ISR International DMCC, Dubai	100%	Full consolidation

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