

August 07, 2025

Agni Steels Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Term loans	101.34	80.31	[ICRA]A-(Negative); reaffirmed
Working capital facilities	200.00	200.00	[ICRA]A-(Negative); reaffirmed
Letter of credit	10.00	10.00	[ICRA]A2+; reaffirmed
Unallocated limits	28.02	49.05	[ICRA]A-(Negative); reaffirmed
Total	339.36	339.36	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings favourably factors in the extensive experience of the promoters of Agni Steels Private Limited (ASPL) and its established operational track record. ASPL'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 also believes that ASPL's premium pricing can enable profitable operations even during periods of significant industry downturns.

The ratings consider ASPL's steady earnings, with the company reporting operating margins in the range of 6.0-6.7% over the past three financial years ended FY2025. The operating margins have been supported by various cost optimisation steps undertaken by the company, though partially offset by the high salary to the promoters. Further, ASPL benefits from being moderately backward integrated with captive facilities for manufacturing sponge iron and MS billets along with the generation of power through captive sources, positively impacting the cost structure. In the near to medium term, ASPL's revenues are expected to remain healthy because of the high-capacity utilisation levels, while the operating margins are likely to remain steady driven by the various cost saving initiatives by the company.

The ratings, however, remain constrained by ASPL's elevated leverage, with a total debt to OPBDITA of 2.8 times in FY2025, on account of high working capital borrowings and the residual impact of a debt-funded purchase of a 21-MW windmill in FY2023. The leverage is expected to improve in FY2026 with scheduled debt repayments and steady earnings. A meaningful improvement in the leverage will remain a key monitorable, going forward. ICRA further understands that ASPL's planned capital expenditure to expand its TMT capacity remains at a nascent stage, and any material outlay, if debt funded, will be a key monitorable, given its potential to further elevate the leverage and constrain the liquidity.

The ratings are further constrained by ASPL's high geographical concentration risk, with a significant portion of its revenues derived from Tamil Nadu and Kerala, and the intense competition in the fragmented and commoditised long steel market, partly limiting its pricing flexibility. The ratings also factor in the inherent cyclicity in the steel industry and ASPL's susceptibility to raw material price volatility and end-product realisations. Additionally, ASPL's elevated payouts to promoters negatively impacted the business return indicators, though these indicators remain comfortable on an absolute basis.

The Negative outlook on the long-term ratings reflects sustained pressure on ASPL's credit metrics due to the elevated leverage. A sustained improvement in the leverage level and coverage metrics remains a key monitorable, going forward.

Key rating drivers and their description

Credit strengths

Significant experience of management and established track record of the company – ASPL was established in 1989 and has been involved in the business of metal and allied products since then. ASPL has been able to develop a wide network of suppliers and customers, given the long experience of the promoters in the industry and the company's established operational track record.

Steady earnings – In FY2025, ASPL reported a ~2% growth in operating income at Rs. 1,077 crore compared to Rs. 1,060 crore in FY2024) driven by a 5% increase in volumes, despite a moderation in TMT realisation. The operating margins have been supported by the various cost optimisation steps undertaken by the company, though partially offset by the high salary to the promoters.

Strong brand presence enables ASPL to enjoy premium pricing – ASPL markets its rebars primarily in Tamil Nadu and Kerala under the AGNI TMT brand. The brand enjoys an established position in the markets due to its quality specifications. The strong brand presence enables the company to command a premium pricing compared to the other regional players, thereby supporting the profitability to an extent.

Moderately backward-integrated plant with captive facilities for sponge iron, MS billets and power - ASPL remains moderately backward integrated with manufacturing capacities for sponge iron, which partly serves as a feedstock to make billets. The manufactured billets, which meet a large part of their captive requirements, are then subjected to rolling to produce TMT bars of the desired profiles. In addition, a part of its total power requirement is met through captive sources (35% in FY2025), thus positively impacting the cost structure.

Credit challenges

Elevated leverage indicators – ASPL's leverage remains elevated, with total debt to OPBDITA of 2.8 times in FY2025 because of the high working capital borrowings and the residual impact of the debt-funded purchase of a 21-MW windmill in FY2023. The leverage is expected to improve in FY2026 with scheduled debt repayments and steady earnings. A meaningful improvement in the leverage will remain a key monitorable, going forward. ICRA further understands that ASPL's planned capital expenditure to expand its TMT capacity remains at a nascent stage, and any material outlay, if debt funded, will be a key monitorable, given its potential to further elevate the leverage and put pressure on the liquidity.

High geographical concentration risk – ASPL's products are mainly sold in Tamil Nadu and Kerala, exposing the company to high geographical concentration risk. Around 80% of the company's operating income is derived from sales in Tamil Nadu and Kerala, with the remaining income from Karnataka and Andhra Pradesh.

Intense competition in highly fragmented and commoditised steel market; margins susceptible to volatility in raw material price – The long steel manufacturing business is characterised by intense competition due to low product differentiation and limited entry barriers, which restrict the pricing flexibility of players, including ASPL. 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 cyclical 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 and Kerala. 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.

Large payouts to promoters impact business return indicators – ICRA notes that ASPL's payouts to promoters have remained elevated in the past and continued to be high through FY2025. Such large payouts, in the form of director remuneration, adversely impact the business return indicators, although these indicators remained comfortable on an absolute basis.

Liquidity position: Adequate

ASPL's liquidity position is adequate, supported by adequate undrawn working capital lines. The average utilisation of the working capital limits against the sanctioned limit has been 60% for the past 12 month ended June 2025. Further, a steady fund flow from operations is likely to support the liquidity, going forward. The scheduled debt repayment obligations of ~Rs. 22.5 crore in FY2026 and ~Rs. 18.8 core in FY2027 can be comfortably met through the cash flow from operations.

Rating sensitivities

Positive factors - Given the Negative outlook, an upgrade is unlikely. ICRA may revise the outlook to Stable if ASPL is able to reduce its leverage and improve the debt coverage metrics.

Negative factors - Pressure on ASPL's ratings could arise if a decline in profitability or a rise in debt-funded capex or investment results in a deterioration of the liquidity position and debt coverage metrics. A specific credit metric for downgrade would be a total debt/OPBDITA 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	The ratings are based on the standalone financial statements of ASPL

About the company

Agni Steels Private Limited (ASPL) is engaged in the manufacturing and selling of TMT (thermo mechanically treated) bars under the brand, AGNI TMT. ASPL has a TMT manufacturing capacity of 219,000 MTPA along with backward integration capabilities for sponge iron and billets that are used to produce TMT bars. ASPL's manufacturing facilities are in 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.

Key financial indicators (audited)

ASPL standalone	FY2024	FY2025*
Operating income	1,059.9	1,077.1
PAT	24.8	34.3
OPBDIT/OI	6.2%	6.7%
PAT/OI	2.3%	3.2%
Total outside liabilities/Tangible net worth (times)	1.5	1.1
Total debt/OPBDIT (times)	3.5	2.8
Interest coverage (times)	3.3	4.3

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	August 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit - Fund based	Long term	200.00	[ICRA]A-(Negative)	22-AUG-2024	[ICRA]A-(Negative)	13-JUL-2023	[ICRA]A-(Stable)	25-APR-2022	[ICRA]A-(Stable)
Long term - Term loan - Fund based	Long term	80.31	[ICRA]A-(Negative)	22-AUG-2024	[ICRA]A-(Negative)	13-JUL-2023	[ICRA]A-(Stable)	25-APR-2022	[ICRA]A-(Stable)
Short term - Letter of credit - Non-fund based	Short term	10.00	[ICRA]A2+	22-AUG-2024	[ICRA]A2+	13-JUL-2023	[ICRA]A2+	-	-
Long term – Unallocated - Unallocated	Long term	49.05	[ICRA]A-(Negative)	22-AUG-2024	[ICRA]A-(Negative)	-	-	-	-
Interchangeable limits (sublimit of bills discounting)	Short term	-	-	-	-	-	-	25-APR-2022	[ICRA]A2+
Bills discounting	Short term	-	-	-	-	-	-	25-APR-2022	[ICRA]A2+
Unallocated limits	Long-term/Short-term	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loans	Simple
Working capital facilities	Simple
Letter of credit	Very 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
NA	Term loans	March-2019	NA	FY2029	80.31	[ICRA]A-(Negative)
NA	Cash credit	-	-	-	200.00	[ICRA]A-(Negative)
NA	Letter of credit	-	-	-	10.00	[ICRA]A2+
NA	Unallocated	-	-	-	49.05	[ICRA]A-(Negative)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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Branches



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