

September 30, 2025

Anugraha Valve Castings Limited: Ratings upgraded to [ICRA]A- (Stable)/[ICRA]A2+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term / Short Term – Fund Based – Others	-	60.00	[ICRA]A- (Stable)/ [ICRA]A2+; upgraded from [ICRA]BBB+ (Stable)/ [ICRA]A2
Short term – Non-fund based – Others	5.00	5.00	[ICRA]A2+; upgraded from [ICRA]A2
Short term – Fund-based – Standby line of credit	10.00	10.00	[ICRA]A2+; upgraded from [ICRA]A2
Long term – Fund-based – Term loan	16.00	-	-
Short term – Fund-based – Cash credit	60.00	-	-
Total	91.00	75.00	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade factors in ICRA's expectation of steady improvement in Anugraha Valves Castings Limited (AVCL)'s financial risk profile, characterised by comfortable cash accruals, healthy capital structure and strong debt protection metrics. With consistently healthy profit generation, the company prepaid its long-term debt and reduced its working capital borrowings also, thereby providing a fillip to its liquidity position.

The rating continues to factor in AVCL's extensive experience of around three decades in the steel castings business and its reputed client profile with a track record of repeat orders. Going forward, the company's revenue will be supported by a pending orderbook of around Rs. 160 crore as on date and expectations of a sustained inflow of orders from domestic and international clients.

However, the ratings are constrained by the company's elevated working capital intensity due to the high inventory holding requirement and receivables, relatively high customer concentration risk and vulnerability of the operating profit margins to the fluctuation in raw material prices. In addition, the ratings are constrained by the highly competitive intensity, characterized by the presence of large players in the domestic and overseas markets and small unorganized entities in India.

Further, ICRA notes that a portion of the operating profits (around 20-25%) is derived from the export incentives like the duty drawback scheme and the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) and any changes /discontinuation of these schemes can exert some pressure on the profit generation.

The Stable outlook on the rating reflects ICRA's opinion that the company's cash generation will remain comfortable, backed by steady profitability amid a sustained order intake translating into a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in valve-casting business – AVCL has been manufacturing and exporting steel castings since 1993, which are used in the valve and pump industries. The promoter has around three decades of experience in the steel casting and valve manufacturing businesses.

Established relationship with reputed customers – About 90% of AVCL's revenues are derived from exports, with most of its customers concentrated in European countries such as Germany, Italy and France. AVCL's established relationship with

customers from the engineering, petroleum, chemical and gas industries have resulted in limited churn and ensured repeat orders.

Comfortable capital structure and debt protection metrics – The company’s financial risk profile remains comfortable, marked by a strong net worth base and relatively low debt levels. Its capital structure was comfortable with a gearing of 0.15 times as on March 31, 2025. The leverage and coverage metrics witnessed improvement in FY2025 with steady profitability and prepayment of the term loan, along with lower utilisation of the fund based limits. The interest coverage stood at 9.26 times and TD/OPBDITA at 1.18 times in FY2025 against 7.97 times and 2.29 times, respectively, in FY2024.

Credit challenges

High working capital intensity – AVCL’s working capital requirements are generally high due to the long transit cycles. The collection cycle is around three months for both exports and domestic customers, while the creditors are paid within 15 to 20 days so that they can avail the discounts. The average manufacturing cycle varies from three to four months and depends on the complexity of design and the degree of customisation. The NWC/OI remained high at 36% in FY2025, which although declined from the FY2024 level of 44% owing to decrease in the inventory days, is likely to remain elevated at around 40%.

Profitability margins vulnerable to fluctuations in raw material prices and regulatory changes on export incentives – Ferrous scrap is the major raw material for the company. Any adverse fluctuation in the price of scrap is likely to impact the company’s earnings. Also, as ~90% of its sales are to the export market, any adverse regulatory change in export incentives is likely to impact the earnings. The profit margins have remained volatile in the last few years. A sequential improvement in realisations and softening in raw material cost has improved the operating profit in the last few quarters. Going forward, an improvement in the OPM for a sustained period would remain a key rating monitorable.

Relatively high customer concentration – AVCL’s customer concentration remains high with more than ~50% of the total revenues accruing from the top 10 customers. However, there has been increasing diversification of the customer base as AVCL is adding more clients from different regions.

Liquidity position: Adequate

AVCL’s liquidity is adequate, supported by an average cushion in its cash credit limits in the form of undrawn bank lines of around Rs. 28 crore (average over last 12 months), along with cash balances of more than Rs. 2 crore, in absence of any repayment obligations or any major capex plans.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a sustained improvement in its working capital cycle, along with healthy growth in revenues and operating profits, leading to an improvement in the key credit metrics and liquidity position.

Negative factors – ICRA may downgrade the ratings if any significant decline in the scale or profitability weakens the key credit metrics, or any further stretch in the working capital cycle, or a large debt funded capex adversely impacting the liquidity profile. A specific credit metric for downgrade is the interest coverage dropping below 5.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

About the company

Incorporated in 1993 in Coimbatore, Anugraha Valve Castings Limited (AVCL) is a steel casting foundry, manufacturer and exporter of Stainless Steel and Alloy Steel castings for valve and pump industries. AVCL manufactures steel valves in different shapes and sizes according to the design specifications provided by the customers primarily serving to major valve manufacturers who cater requirements of engineering, petroleum, oil & refinery chemical and gas industries. Nature of industrial valves supplied include gate valves, globe valves, swing check valves, strainer valves, control valves, ball valves, butterfly valves, plug valves etc. AVCL's main focus is on the production of Industrial Valve Castings with size ranging from DN15 (0.5") to DN600 (24") according to ASTM and EN specifications in raw and fully machined condition. The manufacturing facilities-four Foundries and one Machine Shop are located in Coimbatore with a production capacity of 20,100 MTPA.

In 2007-08, the company merged its group company, Graha Industrial Private Ltd. (GIPL) with itself. While the company was catering to local demand in the initial years, post 1999, AVCL started exporting steel castings to European companies and has since focussed exclusively on overseas clients and built strong relationship over the years. AVCL currently exports majority of its output to the European Countries, especially to Germany, France & Italy and also is expanding into US, China and Canada.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	375.44	377.75
PAT	20.54	19.37
OPBDIT/OI	9.95%	8.54%
PAT/OI	5.47%	5.13%
Total outside liabilities/Tangible net worth (times)	0.61	0.36
Total debt/OPBDIT (times)	2.29	1.18
Interest coverage (times)	7.97	9.26

Source: Company, ICRA Research; 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

Instruments	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based – Others	Long term /Short term	60.00	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-	-	-
Non-fund based – Others	Short term	5.00	[ICRA]A2+	Sep 26, 2024	[ICRA]A2	Aug 22, 2023	[ICRA]A2	Nov 14, 2022	[ICRA]A2
Fund-based – Standby line of credit	Short term	10.00	[ICRA]A2+	Sep 26, 2024	[ICRA]A2	Aug 22, 2023	[ICRA]A2	Nov 14, 2022	[ICRA]A2
Fund Based-Term Loan	Long term	-	-	Sep 26, 2024	[ICRA]BBB+ (Stable)	Aug 22, 2023	[ICRA]BBB+ (Stable)	Nov 14, 2022	[ICRA]BBB+ (Stable)
Fund Based - Cash Credit	Short term	-	-	Sep 26, 2024	[ICRA]A2	Aug 22, 2023	[ICRA]A2	Nov 14, 2022	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term / Short Term – Fund Based – Others	Simple
Short term – Non-fund based – Others	Very Simple
Short term – Fund-based – Standby line of credit	Simple

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	Long Term / Short Term – Fund Based – Others	NA	NA	NA	60.00	[ICRA]A- (Stable)/[ICRA]A2+
NA	Short term – Non-fund based – Others	NA	NA	NA	5.00	[ICRA]A2+
NA	Short term – Fund-based – Standby line of credit	NA	NA	NA	10.00	[ICRA]A2+

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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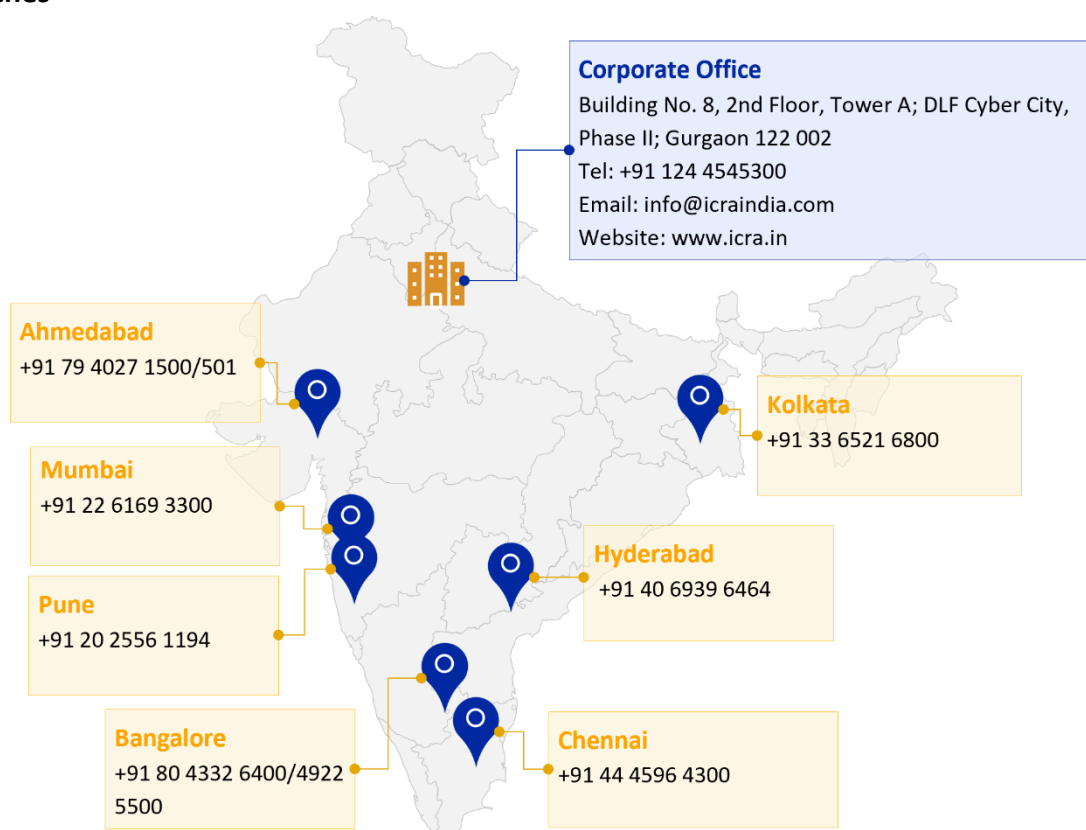
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