

Rating Rationale

A One Steels India Pvt Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities amounting to Rs. 28.73 Crs of A One Steels India Pvt Ltd ('AS IPL' or 'The Company')

Facility**	Previous Amount Rated (Rs. Crs)	Present Amount Rated (Rs. Crs)	Tenure	Previous Ratings (Jun, 2020)	Present Ratings*
Fund based	20.00	23.73	Long Term	BWR BBB-Stable	BWR BBB-Stable Reaffirmed
Non Fund Based	5.00	5.00	Short Term	BWR A3	BWR A3 Reaffirmed
Total	25.00	28.73	Rupees Twenty Eight Crores and Seventy Three Lakhs Only		

** Details of facilities given in Annexure I.

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Action/Outlook:

Brickwork Ratings (BWR) has reaffirmed the long-term rating to BWR BBB- (Stable) and short-term rating to BWR A3 for the bank loan facilities of A One Steels India Pvt Ltd ('AS IPL' or 'The Company').

The rating continues to derive comfort from the company's experienced promoters, diversified product portfolio, comfortable debt protection metrics and financial risk profile.

However, these strengths are partially offset by the moderate scale of operations, thin profitability margins, working capital intensive nature of operations, susceptibility to cyclical and fluctuation in raw material prices and inherent risk of the industry along with intense competition.

The outlook remains Stable backed by positive demand and margin outlook for the steel industry.

BWR has principally relied upon the standalone audited financial results of AS IPL upto 31st March 2020, FY21 management certified provisionals and projected financials for FY22 and FY23 and publicly available information/ clarifications provided by the company's management.

Key Rating Strengths

- **Established track record of operations and experienced management** - The company commenced its operations in 2008 and has a successful track record of more than a decade in the existing line of business. AS IPL's long track record and the extensive experience of promoters have helped establish relations with various stakeholders for its business. The company was established and is managed by the Jalan family, holding 100% equity stake in AS IPL as of March 31, 2021. Furthermore, the promoters are assisted by a team of experienced professionals in managing the company's daily business operations.

- **Diversified product portfolio**– The company manufactures and sells mild steel (MS) billets (15.48% revenue in FY21) and Structural items (76.54% revenue in FY21) like MS channels, MS angles, MS rounds etc. The products manufactured by the company find end use in infrastructure industries. The company sells their Structural products under the brand name of “Jallan”. The company sells its products in Karnataka & Andhra Pradesh only.
- **Comfortable debt protection metrics and financial risk profile** : Debt coverage indicators, the interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR), improved to 4.39x and 3.85x, respectively, in FY21 (Provisional) from 3.02x and 3.48x, respectively, in FY20. The analysed gearing marginally declined to 0.51x in FY21 (Provisional) from 0.48x in FY20. TNW (Analysed) marginally improved to Rs 43.31 crs in FY21 (Provisional) from Rs.41.05 crs in FY20 due to retention of profits. Net debt to EBITDA stood at 2.17x in FY21(Provisional).

Credit weaknesses

- **Moderate scale of operations:** The total operating income (TOI) improved by ~11.36% to Rs. 297.75 Crs in FY21 (Provisional) from Rs. 267.38 Crs in FY20. The scale is expected to remain small because of the highly competitive and fragmented nature of the industry.
- **Thin profitability margins** : The operating profit margins (OPM) and net profit margins (NPM) marginally improved to 3.04% and 1.34% respectively, in FY21 (Provisional) from 2.44% and 1.24%, respectively, in FY20. Margins are low due to stiff competition.
- **Working Capital intensive nature of operations:** The operations of ASIPL remained working capital intensive supported largely by the bank borrowings. The average utilisation of fund based working capital limits of the company stood high around 91% during the last 12 months ending 31st May 2021.
- **Intense competition in the industry:** The steel industry is highly fragmented with the presence of both organized and unorganized players in the downstream segment providing similar products/services. Hence, the company faces competition from regional players leading to intense competition and pricing pressures, which in turn affect the profitability margins of the company.
- **Susceptibility to cyclical and fluctuation in raw material prices:** The profitability is vulnerable to fluctuations in the prices of raw materials as the latter constitutes ~84% of the company’s operating expenses. Further the performance of the company is linked to the steel industry, with cyclical changes in demand and price volatility. The demand for steel products depends on the growth of primary end user segments such as infrastructure and real estate. Any slowdown may in turn adversely affect the demand for steel products over the medium term. However in order to mitigate the risk of raw material prices volatility it buys raw materials in bulk when prices are low.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below. BWR has analysed ASIPL’s on a standalone basis to arrive at the rating.

RATING SENSITIVITIES

Upward: BWR may revise the ratings upward in the case of a sustained and substantial improvement in the scale of operations, alongwith sustenance of current credit metrics.

Downward: BWR may revise the rating downward in the case of a significant reduction in the scale of operations, operating margins, and/or deterioration in debt protection metrics (ISCR below 2x).

Liquidity Position (Adequate)

The company has an adequate liquidity position. There are only long term secured borrowings from banks amounting to Rs. 3.74Crs as on 31st March 2021. Against a CPLTD of Rs 0.07 Crs in FY21, the company had a cash accruals of Rs. 6.15 Crs in FY21. The company projected to generate cash accruals of Rs. 7.41 Crs in FY22 against a CPLTD of Rs. 0.03 Crs, thereby indicating an adequate liquidity position. Free cash balance stood at Rs 2.20 crs in FY21.

About ASIPL:

ASIPL was incorporated in 2008 by Mr. Sunil Kumar Jalan and Mr. Sandeep Kumar Jalan in Bangalore. It is engaged in the manufacturing of Mild steel (MS) billets and Structural Items like MS Channels, MS Angles, MS Rounds. It is also involved in trading of Coal & Scap sale. ASIPL has a manufacturing facility at Hindupur, Andhra Pradesh with an installed capacity of 50,000 tonnes per annum (TPA) to manufacture Structural Items and capacity of 60,000 TPA to manufacture MS billets. The Trading of scrap sale is done in Hindupur, Andhra Pradesh. The company sells their structural products under the brand name of “Jalan”. It is an ISO certified company and has well supported rapid working systems for all of their Quality controls.

Key Financial Indicators (Standalone)

Key Financials			
Result Type	Units	31/Mar/2019	31/Mar/2020
		Audited	Audited
Total Operating Income	Rs. Crs	295.31	267.38
OPBDIT	Rs. Crs	9.76	6.54
PAT	Rs. Crs	3.60	3.44
Tangible Net Worth (Analysed)	Rs. Crs	36.57	41.05
Debt/TNW (Analysed)	Times	0.56	0.48
Current Ratio	Times	1.25	1.33

Key Covenants of the Instrument/Facility Rated: Not Applicable (NA)

Status of non-cooperation with previous CRA (if applicable): Reason and comments: NA

Any other information: NA

Rating History for the last three years: (Including suspended/withdrawn ratings)

S.No	Facility	Current Rating (2021)				Rating History		
		Type	Tenure	Amount (In Crs)	Rating	2020	2019	2018
1	Bank Loan	Fund Based	Long Term	23.73	BWR BBB-Stable Reaffirmed	BWR BBB-Stable	NA	NA
		Non Fund Based	Short Term	5.00	BWR A3 Reaffirmed	BWR A3	NA	NA
Total				28.73	Rupees Twenty Eight Crores and Seventy Three Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria - Manufacturing Sector](#)
- [Short Term Debt](#)

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A One Steels India Pvt Ltd

ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Crs)
1	Cash Credit	20.00	-	20.00
	WCTL (GECL)	3.73-	-	3.73
	LC	-	5.00	5.00
TOTAL				28.73

Total: Rupees Twenty Eight Crores and Seventy Three Lakhs Only

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