

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' for the Bank Loan Facilities aggregating ₹ 308 Cr of ACCIL Auto Steel Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Long term Bank Loan Facilities of ACCIL Auto Steel Private Limited (AASPL)

Facility*	Limit	Tenure	Rating
Fund Based Facilities (Term Loan)	308.00	Long Term	BWR BB+ (BWR Double B Plus) (Outlook- Stable)
Total	308.00	INR Three Hundred & Eight Crores only	

Details in Annexure-I

The rating has, inter alia, factored in the experience by ACCIL group experience in setting up and running of various manufacturing units. The promoters of the company have more than 12 years of experience of manufacturing flat products successfully and over 22 years of experience in the steel industry. The assigned rating takes into account the present ongoing expansion of Cold Rolled Closed Annealed (CRCA) manufacturing facilities at Bawal, Haryana. Brickwork Rating (BWR) expects group synergies to benefit in future by the ongoing expansion. The project is located at Bawal, Haryana near existing premises of group company, Asian Colour Coated Ispat Ltd. The set up near existing location would provide significant synergy and result in Savings in raw material wastage, shared overheads reducing per unit cost of production and optimal inventory management – both raw material and finished product. The ratings are, however, constrained by Project Completion Risk and High dependency of project profitability on finished product and raw material prices, which have shown tremendous volatility in the past.

Background

ACCIL Auto Steels Pvt. Ltd. (ASL), is incorporated in October 9, 2012 by Mr. Pradeep Aggarwal and Mr. Vikas Aggarwal of ACCIL Group to set up a manufacturing facility of Cold Rolled Closed Annealed (CRCA) Products at Bawal, Haryana. ACCIL Group has been in the business of manufacturing secondary steel products since year 2000 (with the acquisition of AGR Steel Strips Pvt. Ltd). Prior to that, the promoters were engaged in the business of steel trading since 1990s. Presently the group has its manufacturing facilities in Dharuhera, Haryana (ASSPL) for manufacturing narrow width CR Coils and at Bawal, Haryana (ACCIL) for manufacturing wider width Cold Rolled Coils, Galvanised Coils and Colour Coated Coils. It has also set up manufacturing facility in UAE through group company Asian Ispat FZC (AIF).

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Promoters:

Mr. Pradeep Aggarwal, 42 years of age, he started a steel trading concern under the name of M/s Capital Steels. The firm dealt in trading of HR and CR coils, strips and sheets. Since acquisition of ASSPL and setting up of ACCIL, he has been involved in its management along with Mr. Vikas Aggarwal. He is a director on the board having the responsibility of procurement of basic raw material and marketing department of all the group companies

Mr. Vikas Aggarwal, 40 years of age. Started his own proprietary concern for iron sheet trading under the name of M/s Regency Steels in 1995, dealing in HR and CR coils. In ASSPL, he has been actively involved with the management and associated with the technological up gradation. He has also been a key person in setting up of ACCIL and currently handles the operations of ACCIL and presently in-charge for implementation of the on-going project.

Project Details:

- **Location** – Bawal, Haryana, India (near existing unit of Asian Colour Coated Ispat Ltd.)
- **Product** – Wide width Cold Rolled/Closed Annealed sheets.
- **Raw material** – HR Pickled/Oiled Steel coil .
- **Capacity** - CR Mill - 360000 TPA, Annealing Furnace - 300000 TPA
- **Project Cost** – Rs.474 Cr
- **Financing** – In the DE ratio of 1.86:1 (Term debt – Rs.308 cr. & Equity – Rs. 166 cr.)
- **Scheduled Commissioning:** January 2016. **Product usages** - Automobile, white goods industry, Drum and Containers manufacturing industry, Electronic component industry, Cable Tape Industry, Cycle industry, etc.
- **Current Status-** As per LIE latest report dated 29.01.2014 , there is a slight delay due in implementation due to rains. However the company has assured that they will recover the delay in light of buffer/ Contingent time embedded in the project schedule.
- Land Acquisition- Achieved
- Land and site development - The Company has already land under Possession. Site development is almost completed.
- Civil Work - Excavation work for Hi Mill foundation is completed and civil work is about 40% complete. Foundation of factory sheds is about 95% complete. Overall progress of Civil work is about -30 %
- Plant and Machinery - The Company has already entered into contract of supply of CR mills with Mitsubishi Corporation and For Skin Pass line to M/s Danieli, Electrolytic cleaning line with M/s Esmech and Bell Annealing furnace to M/s Furnance Waldrich which are in line with market rates. Order for all major Equipment for the Project has been placed.

Rating Outlook:

The promoters are experienced in the field and are capable of withstanding competition in the sector. AASPL, with this project, would be catering to a growing demand for value added products i.e. CR and CRCA Coils that have fewer producers and significant demand in the domestic and overseas market. The promoters have a strong presence in the NCR region which it has been catering through its existing operations. Since this is an expansion as part of the company's forward integration strategy, it would help the company improve its margins since it would be selling higher margin value added products.

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Annexure –I

Name of the Bank	Limit (₹ in Cr)
Andhra bank	100.00
Corporation Bank	50.00
Central bank	75.00
Dena bank	83.00
Total	308.00