



Rating Rationale

Aanchal Ispat Ltd.

26Mar2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 62.00 Crores of Aanchal Ispat Ltd. (AIL or The “Company”).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2017)	Present
Fund based Overdraft Cash Credit(OCC)	45.00	50.00	Long Term	BWR BB+ (BWR Double B Plus) (Outlook: Stable)	BWR BBB- (BWR Triple B Minus) (Outlook:Stable) (Upgraded)
Non Fund Based Inward Bill Discounting (Sublimit to OCC)	(12.00)	(20.00)	Short Term	BWR A4+ (BWR A Four Plus)	BWR A3 (BWR A Three) (Upgraded)
Inland Letter of Credit/ Foreign Letter of Credit	12.00	12.00			
Total	57.00	62.00	(INR Sixty Two Crores Only)		

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

* One way interchangeability of OCC (Limit of Rs 50.00 Crores) to Non Fund Based facility.

Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Aanchal Ispat Ltd.’s audited financials upto FY18, financial results for the period April 2018 to December 2018 and projected financial statements for FY19 and FY20, publicly available information and information/clarifications provided by the



management of the Company.

The rating upgrade factors in the consistent rise in Aanchal Ispat Ltd.'s topline during the last three years including FY18, increase in manufacturing sales as a percentage of total revenues in FY18 and 9MFY19, increase in capacity utilisation in FY18 and 9MFY19, increase in profitability during 9MFY19, change in the product mix during 9MFY19 and expansion of the product line. The rating further continues to draw strength from the key promoter's experience and sustained operating cycle in FY18 and 9MFY19. The ratings are however constrained by the moderate scale of operations, exposure to the highly competitive iron and steel industry and AIL's vulnerability to the volatile raw material prices.

Going forward, the Company's ability to improve scale of operations, improve profitability and sustain the present operating cycle with effective management of working capital will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Increase in Topline in FY18:** AIL achieved revenue growth of 37.58% y-o-y in FY18 to Rs.384.51 Crs with a 23.36% y-o-y increase in sales volumes and a 13.50% y-o-y growth in sales realisation per unit. During 9MFY19, sales volumes and realisations have risen further and the Company is in line with the projections for the year FY19.
- **Increase in Manufacturing Sales:** AIL, in the last couple of years, has been focussing on increasing the manufacturing content of its revenue. Manufacturing sales as a percentage of total revenues have gradually increased from 65% in FY16 to 82% during 9MFY19. The Company's trading sales has reduced in the last three years to below 20% of total revenues during 9MFY19.
- **Increase in Capacity Utilisation:** AIL has been able to raise the capacity utilisation to over 90% in the current year with its focus on increasing the Manufacturing sales since the last two years. The company has also strategically diversified its product mix. Sale of structural steel products including Rounds, Angles and Channels has nearly doubled in FY18 and has increased further in 9MFY19. The company has expanded its product portfolio by adding 46 new different sizes structural steel products which are mainly consumed in the Engineering and Steel Fabrication projects. To market the products, AIL added 200 smaller dealers from in and around Kolkata & Howrah districts. This diversification has also helped the Company to improve its profitability.
- **Total Gearing and ISCR:** AIL's has no term loans. AIL's debt primarily comprise of short term bank borrowings. Entire profit in the current year is ploughed back to increase



the Networth of the Company. Total Gearing has remained at below 1.0x from in the past three years. ISCR is at 1.50x in FY18.

- **Operating Cycle:** Operating cycle in reduced to 65 days in FY18 from 79 days in FY17. The operating cycle is maintained at 2 to 3 months in the past three years and continued to remain within the same range during 9MFY19.
- **Promoter Experience:** The key promoter, Mr. Mukesh Goel has nearly two decades experience in the Iron and Steel industry.

Credit risks:

- **Moderate Scale of operations:** The Company has moderate scale of operations vis-a-vis its existence since 1996.
- **Competition:** The Company is exposed to the highly fragmented and highly competitive steel industry
- **Volatile Raw Material Prices:** The Company is exposed to the volatility related to raw material prices i.e.Billets which in turn is affected by prices of sponge iron and pig iron that impacts profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Aanchal Ispat Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Company

Aanchal Ispat Limited, erstwhile Vinita Projects Pvt. Ltd., was incorporated in 1996 and taken over by the Aanchal Group in 2009. The Company is listed on BSE main Board. AIL is engaged in the production of TMT Bars and Structural Steel Products including M.S Rounds, Angles and Channels under the brand name “Relicon”. The Company is also engaged in the trading of Iron and Steel Products, Clinkers, Charcoal, Cement and Billets. As on March 31, 2019, the Company has installed capacities of 75000 TPA of TMT Bars and 24000 TPA of Structural Steel.

Apart from Aanchal Ispat Limited, the group has presence in cement and garments through other companies in the group.

Management

Mr. Mukesh Goel is the Managing Director of the Company, having more than two decades of experience in the Iron & Steel industry. Manoj Goel, younger brother of Mukesh Goel, is the Non-Executive Director and Mr. Vijay Srivastava is the executive director of the company. Ms. Nilu Nigania, Mr. Mukesh Agarwal and Ms. Babita Kaur Bagga are the independent directors of the Company.

Company Financial Performance

In FY18, AIL has reported total revenues of Rs.384.51 Crs (FY17:Rs.279.48 Crs),and EBIDTA of Rs.7.10 Crs as against Rs.6.18 Crs in FY17. Profit After Tax is at Rs. 1.33 Crs in FY18 as against Rs.1.24Crs in FY17. Total net worth of the Company stood at Rs.42.88 Crs (excluding Revaluation Reserves) as on March 31, 2018. Further, as per information provided by the Company's management, AIL has achieved a turnover of over Rs.275 Crs during 9MFY19.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	29, Nov, 2017	25, Oct, 2016	1, Jun,2015
1.	Fund Based Overdraft Cash Credit	Long Term	50.00	BWR BBB- (BWR Triple B Minus) (Outlook: Stable) (Upgraded)	BWR BB+ (BWR Double B Plus) (Outlook: Stable) (Reaffirmed)	BWR BB+ (BWR Double B Plus) (Outlook: Stable) (Upgraded)	BWR BB (BWR Double B) (Outlook: Stable)
2.	Non Fund Based	Short Term	12.00	BWR A3 (BWR A Three) (Upgraded)	BWR A4+ (BWR A Four Plus) (Reaffirmed)	BWR A4+ (BWR A Four Plus) (Reaffirmed)	BWR A4+ (BWR A Four Plus)
Total			62.00	(₹ Sixty Two Crores Only)			

Status of non-cooperation with previous CRA (if applicable)-Not Applicable

Any other information-Not Applicable

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Aud.	Aud.
Operating Revenue	Rs. in Crs	384.51	279.48
EBITDA	Rs. in Crs	7.10	6.18
PAT	Rs. in Crs	1.24	1.33
Tangible Net worth	Rs. in Crs	42.88	41.43
Total Debt/Tangible Net worth	Times	0.93	0.95
Current Ratio	Times	1.44	1.53

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its

contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure 1
Details of Facilities

Name of Facilities	Tenure	Previous Limits (Rs. in Crs)	Present Limits (Rs. in Crs)
Fund Based	Long Term		
Overdraft Cash Credit (OCC)		45.00	50.00
Non Fund Based	Short Term		
Clean Inward Bills Discounting (Sublimit to OCC)		(12.00)	(20.00)
Inland/ Foreign Letter of Credit		12.00	12.00
Total (Rs. Sixty Two Crores)		57.00	62.00